

Government that Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

**PASCACK VALLEY REGIONAL
HIGH SCHOOL DISTRICT**

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GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Pascack Valley Regional High School District

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making State Government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the State had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR utilizes an innovative approach combining the expertise of professionals primarily from the Departments of Treasury, Community Affairs and Education with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service at no cost by the State. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams will also document those State regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a community or school district to participate in the Local Government Budget Review (LGBR) program, a majority of the elected officials must request the help of the review team through a public resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and to agree to an open public presentation of the review team's findings and recommendations.

As part of the review of the Pascack Valley Regional High School District, review team members interviewed board of education members, central office and school administrators, supervisors, teachers, district employees, parents, association officers, superintendents in three of the constituent elementary school districts, local elected and appointed officials, county and state education personnel and community members. The review team received full cooperation from the superintendent and all district staff members, elected officials, community members and all others interviewed. It was a pleasure to work with the people of Hillsdale, Montvale, River Vale and Woodcliff Lake.

The review team reviewed various documents including budget statements, audit reports, annual financial statements (CAFR), collective bargaining agreements, various reports to the State, payroll records, personnel contracts and files, vendor and account analyses, board policies and meeting agendas and minutes, long range plans and numerous other documents. The review team physically visited both high school sites and the central offices and observed work procedures throughout the system. Team members also observed board of education meetings and other meetings during the term of its field work.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or tax rate. These estimates have been developed in an effort to provide the district an indication of the potential magnitude of each issue and the savings or cost potential to the community. We recognize that all of these recommendations can not be accomplished immediately and some of the savings will occur only in the first year. Many of the suggestions will require negotiations through the collective bargaining process. We believe the estimates are conservative and achievable.

In addition to the Findings and Recommendations section, this report contains two sections entitled Best Practices and Statutory and Regulatory Reform. Best Practices identifies areas that the district does exceptionally well and cost efficiently that may be replicated by other school districts. Statutory and Regulatory Reform identifies areas where State laws and rules may cause inefficiencies and may be considered for change.

It is with the cooperative spirit exhibited by the people of Pascack Valley Regional High School District that the review team anticipates acceptance of most its findings and recommendations.

EXECUTIVE SUMMARY

Local Government Budget Review (LGBR) of the New Jersey Department of the Treasury conducted an extensive study of the Pascack Valley Regional High School District in response to a request of the Pascack Valley Regional Board of Education. Some 29 areas were reviewed resulting in cost savings and/or managerial reform. Eight areas were recognized as best practices along with other commendations cited in the findings and two recommendations for possible state regulatory or statutory reform. The following is an executive summary of the findings and recommendations and dollar savings, as appropriate:

1. Benchmarking/Comparative Analyses

Statistical data of school districts comparable to Pascack Valley Regional is provided as a basis for making many of the recommendations.

2. Administration

A recommendation was made to reduce the administrative cost in the district by assigning Supervisors of Instruction on a district-wide basis, rather than one in each school for each discipline, which would eliminate four positions at an estimated savings of \$405,000.

3. Board/Administration Relations

Concerns were identified regarding the perceptions of board members concerning their roles and the role of the superintendent. Recommendations are included for workshops dealing with board superintendent relationships and communication with the public.

4. Administrative Costs

In reviewing the administrative costs for the district and comparing them with comparable school districts, Pascack's costs were in the median range. Recommendations were made to reduce the telephone cost in the district which was considered excessive, for an approximate savings of \$1,185.

5. Technology

The review team was impressed with the progress made in the regional district in the area of technology and recommends that the district investigate avenues for sharing the usage and the cost of its rapid band-width network connections with local elementary school districts and other agencies.

6. Board Member Expenses

A recommendation was made to establish a policy covering the payment of legitimate expenses for board member activities.

7. Instruction

An analysis of class size data from both high schools suggests a reduction in Foreign Language staffing based on the district's class size policy would result in a savings of approximately \$80,000.

8. Salary Cost Reduction

By temporarily providing an increased reimbursement for unused sick leave for teachers who are eligible to retire, assuming that 21 of the 63 eligible teachers took advantage of the opportunity, the district could reduce its salary cost by approximately \$457,322.

9. Hiring Practices

Guidelines are suggested for the placement (on salary guide) of staff new to the district, which could control the growth of salary costs in the future.

10. Collective Bargaining Agreements

A review of the negotiated agreements with all the units in the district revealed a number of costly provisions which should be eliminated in future negotiations. The total savings reflected in the elimination of these provisions would result in cost reductions of approximately \$161,930.

11. Health Insurance

Recommendations were made to replace the current traditional health plan with a Preferred Provider Plan which would result in savings of \$58,667 - \$85,624 depending on the choices made. LGBR also recommends a 20% co-pay for other than single coverage for all employees which would result in an estimated savings of \$129,603.

12. Legal Fees

A comparison of Pascack's legal fees with similar districts indicated that their expenses were reasonable. A recommendation was made to enter into a formal contractual agreement with the law firm providing services to the district.

13. Cash Management

An analysis of the checking and savings accounts maintained by the Pascack Valley Regional District indicated that the district's financial management system policies and procedures were functioning effectively. Some consolidation of accounts would result in a savings on account management charges of approximately \$1,620.

14. Purchasing

The Business Office conducts the purchasing function for the district in an effective and efficient manner. The district participates in the Bergen County Cooperative Purchasing Program, taking advantage of the savings available through bulk purchasing.

15. Photocopiers

The team reviewed the cost of photocopiers used in the district. A recommendation was made that the district utilize the State's cost per copy contract which would result in an estimated savings of \$7,000.

16. Fixed Assets

The district has established an inventory system which identifies the value of the district's fixed assets. The review of the program resulted in a suggestion concerning the disposition of surplus property.

17. Surplus

A review of the district's surplus over the last four years resulted in a recommendation that more accurate estimates of revenues, expenditures and surplus balances would improve the budget development process and provide a revenue enhancement of \$100,000.

18. Facilities

The district was commended for the study it conducted to analyze its operational and maintenance costs. The LGBR team recommended that the district eliminate two custodial positions, based on reduced areas to be cleaned, and replace these positions with two additional maintenance workers. This would result in an additional cost of approximately \$11,000.

19. Food Services

A review of the food services program revealed that this program is managed by a private service company. The team recommended that the fee calculation should be revised to truly reflect the per equivalent meal fee which is shown. This revision would result in a savings of approximately \$5,500 to the district. Recommendations are also made addressing the cost of lunch monitors which would result in savings ranging from \$5,638 to \$21,018.

20. Special Education

In analyzing the cost of Special Education in Pascack the team compared the percentage of classified students in the district with the percentage of classified students in the four sending districts and, also, the percentage of classified students in the four comparable districts. In both comparisons Pascack's percentage of classified students was significantly higher. The

team recommended a reduction in the number of classified students which would result in an estimated savings of \$189,966 and the formation of a new in-district class at an approximate savings of \$100,000.

21. Guidance

The Guidance Program was found to be operating effectively and efficiently in assisting students in making educational and personal decisions concerning their goals for the future.

22. Health Services

A review of the Health Services Program indicated that a full-time certified nurse is employed in each high school. The responsibilities of these staff members are consistent with the job description for the school nurse position in the public schools of New Jersey. The team recommended that additional clerical help would allow for a more productive use of the nurses' time.

23. School Media Services

In a review of the Library/Media Program the team found that the district has kept abreast of emerging technologies through the implementation of a well designed Five Year Technology Plan.

24. Extra-Curricular Activities

An analysis of the extra-curricular program in the Pascack Regional District indicated that the activities included in this program are consistent with programs offered in high schools throughout the state. The costs associated with this program are in line with other similar districts in the area. The review team recommends that the district seek proposals for athletic trainer services to secure a lower fee. The team also proposed that the district purchase a bus to provide some transportation to extra-curricular events which would provide a savings over the current contracted cost. An approximate savings of \$6,000 in trainer fees is projected and \$5,800 in extra-curricular transportation costs.

25. Transportation

The review team recommends that the district consolidate its routes and combine public and non-public students on the same routes. Consolidation and computerized routing would result in an estimated savings of \$99,500.

26. Shared Services

The district is commended for the initiatives taken in identifying and implementing shared services with neighboring municipalities, county organizations and other school districts. The review team endorses the concept of sharing resources and recommends that the district pursue additional areas where services can be shared.

27. History of Regionalization

The review team recommends that the regional district take a leadership role in identifying a Pre-K-12 organizational pattern involving the four K-8 districts which compose the Regional High School District.

**COMPARISON OF BUDGET APPROPRIATION, STATE AID AND LOCAL TAX
RATE WITH RECOMMENDED REDUCTIONS IN PASCACK VALLEY
REGIONAL SCHOOL DISTRICT COSTS**

A) Administration	\$405,000
B) Administrative Costs	1,185
C) Instruction	80,000
D) Sick Leave Compensation	\$230,550 to 457,322
E) Collective Bargaining Agreements	161,930
F) Insurance	(10,000)
G) Health Insurance	\$188,270 to 215,227
H) Cash Management	1,620
I) Photocopiers	7,000
J) Surplus	\$100,000
K) Facilities	(11,000)
L) Food Services	\$11,138 to \$21,018
M) Special Education	289,966
N) Co-Curricular	12,800
O) Transportation	99,500
Total Potential for Savings	\$1,567,959 to \$1,831,568
Total Amount to be raised for Local Taxes (FY 97)	\$16,358,291
Savings as a % of Local Taxes	9.59% to 11.20%
Total Budget (FY 97)	\$21,726,589
Savings as a % of Budget	7.22% to 8.43%
Total State Aid (FY 97)	\$2,521,691
Savings as a % of State Aid	62.18% to 72.63%

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COMMUNITY OVERVIEW

The Pascack Valley Regional High School District was established in the early 1950's to serve the high school students from Hillsdale, Montvale, River Vale, and Woodcliff Lake in northern Bergen County. Prior to the establishment of the regional district, students from these communities attended Westwood or Park Ridge High Schools on a tuition basis. As the Pascack Valley area population grew, Westwood and Park Ridge High Schools became overcrowded, necessitating the building of an additional secondary school.

The original high school in the newly formed regional district was the Pascack Valley High School, located in Hillsdale, which was opened in 1955 to house 650 students. The growing population resulted in additions to this building in 1957 and in 1959. A second high school, Pascack Hills High School, was approved to be opened in 1964 in Montvale. Additions to both schools were made in 1967 and, again, in 1973 because of a growing population in the communities served by the regional district.

According to the 1990 census the populations in the four communities served by the regional district are:

Hillsdale	9,750
Montvale	6,946
River Vale	9,410
Woodcliff Lake	5,303
Total	31,409

These figures indicate a decline in population in each of the communities compared to the 1980 census report. In Hillsdale and River Vale over 91% of the property valuation is residential housing, while in Montvale 51% comes from residential housing and 46% is made up of commercial properties, and in Woodcliff Lake property valuation is 67% residential housing and 30% commercial.

The following chart, based on data contained in the 1990 census, illustrates the median family income, per capita income, the number of persons living at the poverty level and the median value of a single family house in each of the four communities:

	Median family Income		Per Capita Income	Persons in Poverty	Median Value of Single Family Home
Hillsdale	\$67,678		\$24,442	278	\$248,100
Montvale	\$79,080		\$29,656	81	\$291,600
River Vale	\$73,125		\$28,298	164	\$287,900
Woodcliff Lake	\$55,501	\$21,331		211	\$401,100

According to the 1990 census, the racial composition of the Pascack Valley Regional District includes 92% White, 4.8% Asian and American Indian, 2.2% Hispanic, and 0.7% Black. 76% of the population in the district are 18 years and older and 35% of the adult population are college graduates.

All four towns constituting the Pascack Valley Regional District are largely suburban, composed of owner occupied dwellings. To finance the regional district each town pays according to its percentage of the assessed valuation of the whole district. The towns of Hillsdale, River Vale, and Woodcliff Lake have benefited from the tax base in Montvale. In contrast to the other three towns, Montvale has attracted a number of executive headquarters and some light industry within its borders, which has enhanced its property valuation. Since the Pascack Valley School District is regional rather than local in composition, the community leadership structure is decentralized. The four towns are not perceived as an integral community. Each town has its own local government structure and its own elementary school system.

The Pascack Valley Regional High School District consists of two schools, Pascack Valley High School with 771 full-time students and 19 shared-time students, and Pascack Hills High School with 598 full-time students and six shared-time students. This represents a total enrollment of 1,369 full-time students and 25 shared-time students. The district employs 153 certificated staff, of which six are part-time employees, and 60 non-certificated employees including aides, secretaries, custodial and maintenance personnel.

The Pascack Valley Regional District is suburban in character and is considered an affluent area in which to live. The State Department of Education ranks the district in category "I", which is in the upper end of the district factor groupings created by the state to reflect the educational background of the residents and per capita income. The curriculum offers a wide variety of course offerings, allowing students to make choices leading to their career goals. Test scores as measured on the state administered HSPT and the Scholastic Aptitude Test results indicate a high level of achievement by the students in both high schools. This district is well organized and functions effectively in achieving its goal to provide a comprehensive and academically challenging educational program.

BEST PRACTICES

An important part of the Local Government Budget Review (LGBR) report is the Best Practices Section, which includes financial savings initiatives by the local school district. During the course of every review, each LGBR team identifies practices, procedures and programs which are noteworthy and deserving of recognition. These best practices are presented to encourage their replication in other school districts throughout the state. By implementing these or similar practices, school districts can benefit from the LGBR process and realize considerable savings at the same time.

Although a primary objective of this review is to make recommendations for additional cost savings, LGBR also recognizes efforts and practices already in place to increase spending efficiency in the Pascack Valley Regional High School District. These initiatives are recognized and commended here and/or in other sections of the report and could serve as models to other boards of education throughout New Jersey. However, just as the review team is not able to identify every area of potential savings, it cannot cite every area of effective cost savings efforts.

During the past several years, the Pascack Valley Regional Board of Education, the Superintendent of Schools, and the School Business Administrator have worked to improve the financial efficiency of the school district. While these efforts have been underway, similar initiatives have been undertaken to improve the educational program available for students in the district. These educational initiatives were highlighted in the Fall, 1997 district newsletter, *The Report*, which described several aspects of the New American High School currently under construction in the Pascack Valley Regional High School District. These programs will be highlighted in the district's Star Schools application that will be presented to the New Jersey Department of Education in 1998. The district's Best Practices savings initiatives and recommendations for increased efficiency by the Local Government Review Team will be described in this report.

Region II - Special Education

For a number of years all public school districts in Bergen County were divided into regions for the purpose of sharing services associated with the cost of providing classified students with special education services. These services included, but were not limited to, self-contained classes, transportation, occupational and physical therapy, speech correction, teacher supervision and staff development. In Region II, these services were provided through the district's association with the Region II Council for Special Education. The annual regional administrative costs associated with providing these services during the 1995-96 school year were approximately \$360,000.

Through an extensive review of the administrative costs associated with providing these services, a new plan was developed wherein the Pascack Valley Regional District would become the Local Education Agency (LEA) and, through a series of joint purchase

agreements, the necessary services associated with Region II would be provided. Each local district was asked to assume specific special education functions which fell under its purview. The estimated overall annual savings of this new arrangement was about \$200,000.

Special Education Services - Emotionally Disturbed Class for High School Students

During the past several years, out-of-district tuition costs have skyrocketed. Tuition alone often costs the district two to three times its per pupil expenditure, and transportation adds significantly to these expenditures. In many cases, because of their disruptive behavior, districts seek alternate settings for these students. They are often classified as emotionally disturbed, or ED. During the 1996-97 school year, the district's special services department conducted a review of existing ED programs housed in regular comprehensive high schools. This review led to the establishment of a plan to open a district ED class at Pascack Hills High School in September, 1997. The structure and organization of this class was based on educational research validating each instructional and related service component. Of the six students who are currently in this program, some have been returned to the district from out-of-district placements; others are part of the program in lieu of out-of-district placements; and others have come to this district as tuition students from neighboring communities. The cost of establishing this class was approximately \$80,000 and the total net savings \$100,000.

Phasing Technology Plan

During the 1993-94 school year, the district developed and implemented its first-ever, Five Phase Technology Plan. By phasing this plan over a number of years, costs of technology are never amortized for a period greater than the useful life of the hardware or software. Capacity for instructional technology grows as specific uses are identified and become an integral part of the instructional program. A major component of the Technology Plan was for the training of staff throughout the school district. As the Plan moved from one phase to another, older equipment was reallocated to areas of the instructional program where it could be used appropriately. Newer equipment was allocated to areas where more sophisticated use was required. Although service contracts were initially a part of the plan, a technology supervisor and computer coordinator have been able to service hardware and software and to address problems as they developed. By hiring students at minimum wage during the summer, setup costs have been minimized and professional skills have been targeted to more sophisticated areas. Implementation of the plan established early linkages with the Bergen Electronic Library System and the Bergen County Cooperative Library System for sharing services and materials among member high schools.

Overtime Management Plan

During the 1994-95 school year, the district spent approximately \$64,956 in unregulated overtime costs. During the 1995-96 school year, a plan was developed wherein each building principal was asked to monitor all overtime costs and to achieve a specific target dollar amount. If the target was achieved, any under-spent funds could be used to complete a specific building maintenance project. During the 1995-96 school year, about \$17, 295 was

saved from the prior year; during the 1996-97 school year, about \$45,356 was saved from the indexed year. The district also has included in the negotiated support contract, provisions for custodians to work a 40-hour week, either Monday through Friday or, Tuesday through Saturday, in order to reduce overtime costs.

Health Insurance Fund

As founding members and part of the feasibility study that resulted in the formation of the first New Jersey School Health Insurance Fund for school districts, Pascack Valley Regional School District played a critical role in the establishment of the North Jersey Health Insurance Fund. As the formation of the HIF was underway, the board was negotiating with the teachers' association for a successor contract. An agreement was reached between the board and association to work cooperatively in the migration of the district's health coverage contract from the New Jersey State Health Benefits Program to the North Jersey Health Insurance Fund. A joint committee was established to ensure a smooth transition; complaints and concerns were dealt with expeditiously. The first year savings are reported as \$181,518.

Recently, the board has identified a new preferred provider organization (PPO) option known as the Pascack Select Plan, which will be presented at negotiations as the board's basic coverage plan for all district employees. The Pascack Plan achieves specific financial economies when compared to the traditional plan.

Class Size Policy

During the 1994-95 school year, the board of education adopted its first class size policy. The policy established guidelines for all regular education classes within the district and strategies to address specific situations where class sizes fell below or above these guidelines. Further, the board established annual budget parameters to align existing class size averages with the newly established class size policy. Class size alignments would be achieved through attrition, where possible, and through reduction in force, if necessary. The application of this policy has been of value to the board in the development of the annual school budget. Since the 1994-95 school year, the district class size actual average has changed from about 19 to 21 students. Consequently, the number of teachers employed by the school district has been reduced with an estimated savings of \$432,000.

Reorganization-Supervision of Instruction

During the past four years, the district has been migrating from a building-based supervisory model to a district-based organizational scheme. District positions have been established for supervision of guidance, special education, mathematics, technology and science while maintaining an existing district position in physical education, health, and driver education. Included in this reorganization was the reassignment of the prior District Administrative Supervisor of Pupil Services to a district supervisory function. Annual savings are estimated as \$190,000.

Special Education - IEP Writer 2000

Three years ago a consortium of districts associated with Region II - Special Education undertook the task of developing a comprehensive software package to maintain all special education data, and to generate all documents associated with classification, annual review, individual education programs and three-year updates. The utilization of this software has improved the efficiency of each special education office in the region, and permitted existing personnel the time necessary to complete tasks associated with the former Pascack Valley Council for Special Education. Further, the districts involved have initiated the steps necessary to market this software program in New Jersey and across the United States. Revenue from these sales will not only be used to underwrite the costs associated with revisions of this program, but also offset the costs associated with the operation of Special Education-Region II.

Natural Gas Purchases

Pascack Regional District utilizes a consultant to make natural gas purchases on its behalf at about a 19% savings over the utility's rates. There currently is legislation to create this type of marketplace for electricity purchases with less regulation and reduced cost. The regional district was an innovator in this area and saved over \$23,000 in 1996-97.

It is obvious from each of these examples of best practices that the Pascack Valley Regional School District has repeatedly shown its ability to seek out and implement creative, cost efficient solutions to the business of education. The team applauds these efforts and urges other school districts to utilize the same level of foresight and determination shown by this district to effect cost efficiencies.

OPPORTUNITIES FOR CHANGE

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operation in the district as well as financial savings to its taxpayers.

From the outset of this study it was apparent that the district has made a concerted effort to institute cost saving measures aimed at reducing operational cost while maintaining the high educational standards demanded by the community. A number of these cost saving efficiencies are recognized in the best practices section of this report and others are cited in the findings. The district is to be commended for the steps it has taken on its own and for the cooperation given to the review team during the course of the study. A number of areas were found where additional savings could be generated and recommendations are included in this section which would effect these savings.

In some areas specific dollar savings are calculated for the recommendations to illustrate cost savings. The time it will take to implement the savings recommendations will depend on their priority and, therefore, will vary. Nevertheless, the total savings and revenue enhancements should be viewed as attainable goals. It is recognized that a number of the recommendations will be subject to collective bargaining which will effect the timing of their implementation. Some of these will result in one time savings while others will provide ongoing benefits. The strategies contained in these recommendations will lead to tax reductions as a result of improvements in budgeting, cash management and cost control.

In some cases, recommendations may result in increased costs. When this occurs these costs will be identified and included in the total savings calculations.

Comparative Analyses

Many of the recommendations contained in this report are based upon comparative analyses using New Jersey Department of Education data in comparison with districts of similar size and demographics (socio-economic district factor groups - DFG). The comparative data used in this report which was compiled in November and December, 1997, is that which was current at the time of the review. Other data sources are used such as district documents, various state agencies, state education associations, publications and private industry. School districts used for comparison with Pascack include Hanover Park, N. Hunterdon-Voorhees, Northern Valley Regional and Ramapo. The following charts illustrate much of the data used:

Comparison of Revenues and General Fund Exp. (CAFR)	Pascack Valley Regional		Northern Valley Regional		Ramapo Indian Hills Reg.		N. Hunterdon Voorhees Reg.		Hanover Park Regional	
Local Tax Levy	16,820,154	86%	22,055,206	87%	23,511,097	92%	18,968,758	73%	15,867,917	89%
State Aid	2,569,148	13%	3,100,562	12%	2,551,501	10%	6,774,212	26%	1,919,426	11%
Federal Aid	156,491	1%	304,341	1%	242,679	1%	321,837	1%	81,642	0%
Other		0%		0%	-	0%		0%		0%
Total Revenue (All Funds)	19,545,793	100%	25,460,109	100%	26,305,277	103%	26,064,807	100%	17,868,985	100%
Expenditures										
Regular Program - Instruction	8,429,341	39%	10,231,424	41%	10,222,339	39%	8,584,256	32%	6,463,842	35%
Special Education	1,004,131	5%	425,569	2%	988,244	4%	1,422,676	5%	546,946	3%
Basic Skills-Remedial	652,790	3%	131,719	1%	170,282	1%	87,916	0%	374,512	2%
Bilingual Education	19,526	0%	33,581	0%	25,196	0%	2,112	0%	15,771	0%
Vocational Program	-	0%	-	0%	-	0%	-	0%	15,634	0%
Sponsored Activities	200,229	1%	230,454	1%	278,182	1%	229,249	1%	178,087	1%
Sponsored Athletics	614,872	3%	724,687	3%	953,694	4%	997,181	4%	745,844	4%
Other Instruction Program	819,884	4%	566,956	2%	702,879	3%	1,324,587	5%	783,650	4%
Community Services Program	0	0%	0	0%	0	0%	0	0%	0	0%
Total Instructional Cost	11,740,772		12,344,390		13,340,816		12,647,978		9,124,286	
Tuition - State Facilities	39,134	0%	23,882	0%	-	0%	126,819	0%	71,646	0%
Total Instr. \$\$	11,740,772		12,344,390		13,340,816		12,647,978		9,124,286	
At Pascack Valley's Enrollment*	11,740,772		9,188,779		11,311,038		8,665,756		10,185,083	
General Administration	533,178	2%	672,338	3%	724,676	3%	878,898	3%	437,669	2%
School Administration	679,019	3%	1,085,201	4%	1,458,523	6%	748,984	3%	714,730	4%
Total Administration Cost	1,212,198		1,757,539		2,183,199		1,627,882		1,152,399	
Total Administration \$\$	1,212,198		1,757,539		2,183,199		1,627,882		1,152,399	
At Pascack Valley's Enrollment*	1,212,198		1,308,257		1,851,030		1,115,343		1,286,378	
Food Service	32,042	0%	11,358	0%	-	0%	36,020	0%	7,862	0%
Health Service	129,725	1%	100,796	0%	155,362	1%	251,690	1%	138,883	1%
Attendance & Social Work Serv	35,268	0%	85,954	0%	64,335	0%	19,124	0%	104,550	1%
Other Support Service	1,365,539	6%	1,496,271	6%	1,472,251	6%	1,312,325	5%	894,212	5%
Other - Imp. of Inst. Sev.	746,388	3%	821,846	3%	192,261	1%	281,000	1%	180,416	1%
Media Serv./Sch. Library	323,637	1%	634,095	3%	377,992	1%	328,637	1%	232,287	1%
Operation of Plant	1,783,306	8%	2,028,619	8%	2,417,499	9%	3,057,074	12%	2,150,176	12%
Other	0	0%	0	0%	0	0%	0	0%	0	0%
Business & Other Support Ser.	2,096,768	10%	2,582,229	10%	3,018,191	11%	3,543,466	13%	1,821,197	10%
Total Support Services	6,512,672		7,761,168		7,697,891		8,829,336		5,529,583	
Total Support \$\$	6,512,672		7,761,168		7,697,891		8,829,336		5,529,583	
At Pascack Valley's Enrollment*	6,512,672		5,777,171		6,526,673		6,049,415		6,172,457	
Transportation	905,451	4%	676,455	3%	862,317	3%	1,363,350	5%	912,305	5%
Capital Outlay	189,041	1%	1,183,580	5%	1,075,205	4%	727,739	3%	584,308	3%
Special School	0	0%	88,902	0%	0	0%	14,092	0%	0	0%
On - behalf TPAF pension	376,370	2%	421,072	2%	439,100	2%	383,807	1%	269,350	1%
Reimbursed TPAF pension	750,951	3%	903,224	4%	903,296	3%	825,501	3%	610,629	3%
Total Gen. Fund Expenditures	21,726,589		25,160,212		26,501,824		26,546,505		18,254,506	
# of Students	1,421		1,909		1,676		2,074		1,273	
Per Student Rates										
Instruction Cost Per Student	8,262		6,466		7,960		6,098		7,168	
Admin. Cost Per Student	853		921		1,303		785		905	
Support Serv. Cost Per Student	4,583		4,066		4,593		4,257		4,344	
Total Gen. Fund Cost Per Stud.	15,290	100%	13,180	100%	15,813	100%	12,800	100%	14,340	100%

Source: School district's 1996-7 CAFR

*At Pascack's Enrollment means taking total costs of category divided by the # of students for that school times Pascack's Enrollment to arrive at an equalized expense level.

To ensure that our comparisons are at like values, the costs for the Hanover Park, N. Hunterdon-Voorhees, Northern Valley Regional and Ramapo school districts are recalculated to equate to Pascack's enrollment. This provides a direct cost comparison snap shot on a cost per pupil basis. A review of these comparisons with those of Hanover Park, N. Hunterdon-Voorhees, Northern Valley Regional and Ramapo illustrates that, overall, Pascack's costs are within the high ranges. Administrative costs are lower in total than all compared districts, except for N. Hunterdon-Voorhees. Instructional cost is the highest among the compared districts. Support service costs and total cost per student are higher than Hanover Park, N. Hunterdon-Voorhees and Northern Valley Regional, but lower than Ramapo. Although Pascack Valley has instituted a number of positive cost efficiencies to reduce their costs, their ranking in the various categories of the pupil cost remains high. Because of the factors involved in determining these costs, reducing their ranking is a slow process.

In a review of the actual costs for the past two years (1995-1996, 1996-1997) using the 1997 Comparative Spending Guide published by the New Jersey State Department of Education, Pascack Regional School District ranked 49th (1995-1996) and 48th (1996-1997) among the 49 regional secondary districts in the state in total cost per pupil, ranked low to high. The total cost per pupil in Pascack for 1995-1996 was \$14,108 and in 1996-1997 the total cost per pupil was \$13,699, while the state average cost for regional secondary schools was \$9,673 in 1995-1996 and \$9,875 in 1996-1997. Pascack Regional's cost per pupil was 45.85% higher than the state average in 1995-1996 and 38.72% higher in 1996-1997 compared to similar district types. During these two years, Pascack Regional ranked at the top in most cost categories. Pascack ranked below the median in Food Services, General Supplies and Textbooks. The following table illustrates the district's ranking for the past three years arranged from 1 (low) to 49 (high):

Ranked Low Cost to High Cost

	94-95		95-96		96-97	
Category	Actual	Ranking	Actual	Ranking	Budget	Ranking
Per Pupil Cost	13,238	48	14,108	49	13,699	48
Classroom Instruction	7,702	49	8,255	49	8,191	49
Classroom Salaries & Benefits	7,457	49	7,921	49	7,918	49
General Supplies & Textbook	181	19	237	30	180	16
Purchased Services & Other	64	36	98	43	94	40
Support Services	1,259	37	1,491	48	1,600	49
Support Service Salaries & Benefits	1,131	35	1,327	45	1,455	48
Total Administrative Cost	2,217	49	1,982	49	1,836	49
Salaries & Benefits for Admin.	1,651	47	1,572	48	1,481	48
Operations & Maintenance	1,445	36	1,723	44	1,425	36
Salaries & Benefits for Operations/ Maintenance	919	44	951	45	861	40
Food Service	28	17	27	19	30	16
Extracurricular Cost	579	33	626	35	613	35
			72,000	49	76,180	49
Median Administrator Salary			94,500	48	94,762	47
Ranked High Ratio to Low						
Student/Administration			80.3:1	45	71.9:1	46
Faculty/Administration			8.1:1	44	6.8:1	47

Source - 1997 N.J. D.O.E. Comparative Spending Guide

Using the N. J. School Report Card and the Comprehensive Annual Financial Report (CAFR), the following table provides additional comparative data used in this report:

Sources: CAFR Report 6/30/97	Pascack	Northern	Ramapo	North	Hanover
1996-97 NJ School Report Card	Valley	Valley	Indian	Hunterdon-	Park
Description	Regional	Regional	Hill Reg.	Voorhees Reg.	Regional
County	Bergen	Bergen	Bergen	Hunterdon	Morris
District Type	II	II	II	II	II
Grades	9-12	9-12	9-12	9-12	9-12
District Factor Group	I	I	I	I	I
Total Employees [1]	219	256	288	318	212
Certified Employees	155	188	220	201	144
Other Employees	64	68	68	117	68
Square Miles [1]	14.8	17.3	25.5	165.1	26.3
Total Schools [1]	2	2	2	2	2
Student Enrollment [2]	1,465	1,912.5	1688	1,985.5	1,272
Teacher/Student Ratio	12.7 : 1	13.7 : 1	10.5 : 1	11.8 : 1	10.0 : 1
Administrative Personnel					
Number of Administrators	19.4	21	20	18.8	10.8
Students per Administrator	75.5	91.1	84.4	105.6	117.8
Administrators/Faculty Ratio	6.8 : 1	8.4 : 1	8.9 : 1	9.5 : 1	12 : 1
Median Salary					
Faculty	\$76,180	\$72,152	\$70,750	\$57,501	\$60,530
Administrators	\$94,762	\$98,606	\$85,475	\$81,650	\$91,326
Median Years of Experience					
Faculty	27	13	21	20	21
Administrators	25	30	29	25	28
Passing HSPT					
Reading	95.8%	98.0%	96.6%	94.2%	97.1%
Mathematics	96.7%	95.6%	97.8%	98.0%	97.6%
Writing	99.7%	97.5%	97.0%	95.7%	99.0%
All Sections	92.9%	89.6%	93.5%	89.3%	94.6%
High School Graduation					
Drop Out Rate	0.2%	0.55%	0.25%	2.8%	0.9%
Post Graduation Plans					
4 yr. College/University	80%	86%	83%	60%	68%
2 yr. college	10.5%	7%	7%	20%	25%
Other Post Secondary School	1%	2%	2%	0%	2%
Military	0%	1%	1%	2%	1%
Full-time Employment	0%	3%	5%	12%	4%
Undecided	8.5%	2%	2%	7%	2%

[1] This information was obtained from the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 1997. All other categories contained in this report were compiled utilizing the NJ School Report Cards for 1996-97 School Year.

[2] Student enrollment for the NJ School Report Card is based on October 15, 1996 figures.

Administration

In the NJ Department of Education - Comparative Spending Guide, among 49 regional school districts, Pascack Valley Regional ranked 49th (ranked low cost to high cost) in Total Administrative Costs with per pupil costs of \$2,217 in 1,994-95, \$1,982 in 1995-96 and \$1,836 in 1996-97. Salaries and benefits for administrators ranked 47th in 1994-95, 48th in 1995-96 and 48th in 1996-97. The student/administrator ratio was 80.3 in 1995-96 and 71.9 in 1996-97, with rankings of 45th and 46th respectively.

Central Office Administration

The regional district has two certified central office positions - Superintendent and School Business Administrator/Board Secretary. Both the Superintendent and the Business Administrator/Board Secretary have administrative assistants, as well as two or more secretaries.

Due to significant staff turnover, the existing job descriptions of the support staff in the business office were recently reviewed and revised. Replacement individuals were hired at lower rates on the existing salary scale and two part-time positions were established to fill a position formerly held by a full-time employee, with an annual savings of \$26,000.

School Administration

The regional district has four school administrators (two high school principals and two vice principals). In the preparation of the 1996-97 school budget, two part-time administrative assistant positions were eliminated, with the occupants being returned to full-time teaching positions. These responsibilities were reallocated to other administrative staff members, including the district Health & Safety Officer. The budget line item - Salaries of Principals/Asst. Principals - was reduced by \$92,802.

The regional district has one senior member of the school administrative staff who is currently being paid well above the maximum salary guide for the respective position. It is generally acknowledged that negotiated salaries should be set on the basis of the value of the position, unless there is some policy provision for meritorious service, extra duties, extended work-time, etc. The review team did not find any clearly stated reason for this negotiated variation from the salary guide range, other than annual extensions (i.e., with increases) of the individual salary.

The Agreement with the Administrators' Association does assert that "All references to payment of salaries in excess of the amount set forth on the maximum step of the applicable salary guide shall be deleted from this Agreement when the person(s) entitled thereto resigns from the Pascack Valley Regional High School District." This provision is consistent with current efforts to reduce costs through staff attrition, retirement, etc. whenever possible.

Recommendation: In the future, consideration should be given to implementation of the school administrative salary guide in a uniform fashion, with clear policy guidance

for any exceptional circumstances. Consideration should also be given to extending the retirement incentive provisions in the Supervisors' Negotiated Agreement to the School Administrators' Agreement.

Supervisors of Instruction

During the past four years, the regional district has been moving, by attrition, from a building-based supervisory model to a district-based organizational scheme with a reported savings of \$190,000. There are now 12 departmental supervisory positions. There continue to be questions and discussions regarding the number of supervisory positions in the Regional district.

District Supervisory Positions (6)

Supervisory Positions	<u>Approx. Number of Professional Staff*</u>
Science Supervisor	17
Mathematics/Business Supervisor	18
District Guidance Supervisor	8
Physical Education/Health Supervisor	9
District Supervisor of Special Education	19
District Supervisor of Technology	1

Dual Supervisory Positions (3 positions at each school for a total of 6)

Positions at Both High Schools	<u>Approx. Number of Professional Staff*</u>		
English Supervisor	Hills - 8	Valley - 8.5	Total 16.5
Related Arts Supervisor	Hills - 6.5	Valley - 7.5	Total 14
Social Studies/World Language Supervisor	Hills - 10.5	Valley - 14.5	Total 25

Total Supervised Professional Staff - 128

**It should be noted that some teachers work in more than one department in one building, while other teachers work in similar departments in both buildings. With these teaching assignment complexities, the numbers of staff for each department are listed as approximate.*

Without consideration of the District Supervisor of Technology, it would appear that eight supervisors with an average of 16 teachers each could adequately supervise the 128 classroom teachers and other professional staff. This would result in a net reduction of three supervisory positions, primarily by making all subject positions district-wide in scope. Two departmental arrangements do not readily fit the district-wide mold, namely Physical Education/Health with only nine staff and Social Studies/World Language with 25 staff. Obviously, the former is quite small and the latter is somewhat large. Perhaps the Physical Education/Health Supervisor should teach two classes and the Social Studies/World Language Supervisor should teach no classes, due to the large number of staff to be supervised.

Each high school also has an Athletic Director who teaches two classes, supervises the coaches, and administers the athletic program. In many relatively small high schools, the Athletic Director also serves as Physical Education/Health Supervisor. It may be possible to combine the positions of Athletic Director with Supervisor of Physical Education/Health to have one combination position in each school. This would result in a reduction from three positions to two combination positions. This suggestion would depend upon staff certification and other qualifications of the respective persons in current positions, as well as alterations to the Negotiated Agreement with the Education Association, which includes athletic directors in the teachers contract.

Recommendation: While there are different viable approaches to reaching this objective, the district should consider the reduction of three additional supervisory positions which would result in estimated savings of about \$325,000 to \$345,000 in salaries and benefits.

Cost Savings: \$325,000 to 345,000

In the recent Memorandum of Agreement with the Supervisors' Association, salary increases were limited to 2.44% in 1997-98, 1.39% in 1998-99 and 1.52 % in 1999-00. Two steps were added at both the bottom and top of the salary guide. In addition, the board agreed to provide a \$38,500 retirement incentive for those supervisors who elect to retire at the end of the 1997-98 school year. It is anticipated that several persons may choose this option, thereby providing the opportunity to reorganize the supervisory positions.

It should be noted, of course, that the elimination of six high school (building-based) supervisory positions and the creation of three district-wide positions would produce nine teaching periods which would need to be taught by regular classroom teachers, i.e. the need for 1.8 teachers based on current staffing. With slightly declining or stable student enrollments and a significant number of classes with enrollments below 15, it is anticipated that current instructional staff can accommodate these additional periods.

Technology Supervisor

The regional district has a Supervisor of Technology who teaches one class and a teacher who is assigned four periods daily in district technology for maintenance of computer hardware, software and networks. Current technology staffing costs the district about \$165,000 annually. A qualified full-time computer technician can be employed for \$55,000 to \$75,000, including benefits.

Recommendation: As senior staff members elect to retire, it is suggested that consideration be given to combining these functions into one non-supervisory position, or otherwise providing the equivalent services on a more cost effective basis. Whether employing from within or outside, by combining these technology functions, the district can save at least \$80,000.

Cost Savings: \$80,000

Health and Safety

The district also has a Health and Safety Officer who is paid on the teachers' salary schedule. His duties include the administration of health and safety items, such as Right-to-Know, American Disability Act, OSHA Lab Standard, asbestos, medical waste and blood-borne pathogens, hazardous waste, and accident reports. He also is the District Affirmative Action Officer, maintains records of equipment inventories and disposals and handles a variety of district projects, such as energy conservation, roof inspection, specifications and repair, Five-Year Maintenance Plan, removal of underground storage tanks, educational and work specifications, etc. He is an experienced and knowledgeable staff member who is not represented by the Education Association or any other group.

It is relatively common for school districts to assign extra duties, such as Affirmative Action Officer, to one or more teaching staff members and pay extra stipend(s) or provide release time for the additional work. However, whenever these combined duties become a full-time job, the circumstances clearly warrant proper identification. The Health and Safety Officer has been assigned a number of specific duties and responsibilities, as a full-time non-teaching position, which is currently budgeted as maintenance. The current arrangement does not delineate any portion of the position as administrative.

Recommendation: Consideration should be given to designating a more appropriate title for this position with concurrent placement on the District Organizational Chart. Affirmative Action is not usually considered as a maintenance function. Input of data in the inventory of equipment may be more economically accomplished by clerical personnel in the Business Office. A larger portion of this position should be utilized in energy management and conservation efforts.

All administrative and support staff positions should be clearly identified and budgeted accordingly. This position should also be included for review as a part of the reorganization of the supervisory and administrative staff.

While conditions in the Regional district are changing rapidly due to supervisory retirements, staff reductions, etc. there is the need to update, on a regular basis, the organizational chart and corresponding job descriptions. It is our understanding that the administration is in the process of revising these documents at this time.

Board/Administration Relations

While the board and administration have made significant progress in reducing per pupil expenditures and have virtually eliminated excess surplus during the past few years, there continues to be significant differences in individual board member visions for the future of Pascack Valley Regional High School District. The board of education has undergone considerable turnover during the past few years, with the election and/or selection of several relatively new board members. The board now contains members with differing philosophies regarding levels of budgeting for educational expenditures. These conditions of significant turnover in board membership and diverging individual philosophies increase the tendency

for conflict among board members and with the administration, resulting in the need for continued training in the role and function of the board versus the management functions of the school administration.

Recommendation: While individual differences are healthy during the process of developing policy and budget, there needs to be careful cultivation of a unifying leadership role by the board which sets the tone, direction through policy, and level of financial support for the educational programs for the district. Individual board members should avoid micro-managing the school district, which can result in confusion, divisiveness, and, eventually, lower staff effectiveness and performance, with resulting wasted resources.

The board should consider inviting the NJSBA to conduct further workshops regarding school board role, function, and relationships and periodic self evaluation of effectiveness. The board should also consider seeking broad-based input, perhaps, through public and staff surveys regarding respective perceptions of board and district performance and future direction.

The central office administrative staff now has the relatively new experience of dealing with a changing board of education comprised of members with significantly differing philosophies regarding levels of educational expenditures. Moreover, during the past three years, there has developed organized resistance by certain citizen groups to the level of property taxation and expenditure for educational purposes resulting in a school budget defeat in 1996-97. It must also be acknowledged that parents and citizens who support current school expenditure levels were successful in obtaining approval of the 1997-98 school budget. These divergent conditions require increased communication and two-way dialogue between the administration and both the board of education and the community at large.

Recommendation: While the responsibilities and work-loads of central administration are at a high level, and much valuable information is provided both to the board and the public, consideration should be given to approaches to alter the perception by some citizens that information is either withheld or given reluctantly. While public officials can never satisfy all citizen expectations, increased two-way, openly receptive, dialogue with both the board and interested citizens may produce enhanced communication and understanding. The administration should continue to be proactive in communicating to the general public, as well as reactive in responding to individual and small group requests and comments.

The Pascack Regional District has an extensive and most commendable process for involvement of administrators, supervisors, teachers, and other staff in the budget development process. There are school and departmental goals, objectives, interim assessments and clear reasons for any proposed purchases with account description and budget amount. However, as is the practice in most local school districts, opportunities for

citizen input in the budget development in Pascack Valley Regional School District are limited and usually occur after the adoption of the tentative budget. There are some citizens who express a desire for input prior to the official adoption of the tentative school budget.

Moreover, high school regional districts which cover larger geographic areas, and serve a more limited clientele than local elementary school districts which follow individual municipal boundaries, are sometimes perceived as “remote in governance”. Citizen loyalties and perceptions of local interests may become strained during periods of population change and/or political conflict. Communications and public relations needs and programs necessarily are more complex and demanding in a regional school district.

Recommendation: Consideration should be given to developing opportunities for increased involvement of the public, perhaps on a representational basis of parents, other citizens and possibly some high school students in providing input in the budget development process. After the *tentative* district budget has been adopted, citizenry in the four communities need to be adequately informed about 1) revenues, 2) expenditures and 3) educational programs which are financed within the budget and 4) property tax impact. Public hearing(s) should provide ample opportunity for further public input and for clear explanation by school officials regarding the tentative budget. The board of education should adopt the final budget after consideration of staff, administration and public input and with an understanding of its responsibility to provide a “thorough and efficient” education for all students.

General Administrative Costs

A comparative review of Pascack, Hanover Park, N. Hunterdon-Voorhees, Northern Valley Regional and Ramapo of the function 230 - Support Services, General Administration - account for fiscal year 1996-97 was conducted. This function includes expenses associated with the board of education, executive administration and school elections. The review revealed the following costs for fiscal year 1996-97 (based on the 6/30/97 Audit Report):

Analysis of General Administration Cost for School Year 1996-97					
	Pascack Valley	Hanover Park	N. Hunterdon-Voorhees	Northern Valley Regional	Ramapo
Salaries	240,331	290,241	225,194	294,684	316,575
Legal Services	23,575	48,345	338,518	33,716	40,617
Other Purchased Prof. Services	26,705	19,500	10,363	84,562	146,882
Communications/Telephone	132,261	6,804	135,086	111,691	83,679
Other Purchased Service	43,780	39,248	21,766	67,051	65,309
Supplies & Materials	4,288	7,280	7,977	27,579	21,282
Misc. Expenditures	62,237	26,251	139,994	53,055	50,332
Total	533,178	437,669	878,898	672,338	724,676

A comparison of Per Pupil Costs for general administration expenditures (Function 230) for fiscal year 1996-97 for Pascack Valley, Hanover Park, N. Hunterdon-Voorhees, Northern Valley Regional and Ramapo school districts revealed the following:

Admin Cost per Pupil	Pascack Valley	Hanover Park	N. Hunterdon-Voorhees	No. Valley Regional	Ramapo
Salaries	169	228	109	154	189
Legal Services	17	38	163	18	24
Other Purch. Prof. Service	19	15	5	44	88
Communications/Telephone	93	5	65	59	50
Other purchased Service	31	31	10	35	39
Supplies & Materials	3	6	4	14	13

Misc. Expenditures	44	21	67	28	30
Total	375	344	424	352	432

An analysis of this data reflects that, using the function 230 figures from the 1996-97 audit report, the administrative costs for Pascack were \$533,178 as compared with \$437,669 for Hanover Park, \$878,898 for N. Hunterdon-Voorhees, \$672,338 for Northern Valley Regional and \$724,676 for Ramapo. The per pupil administrative costs for Pascack were \$375 as compared with \$344 for Hanover Park, \$424 for N. Hunterdon-Voorhees, \$352 for Northern Valley Regional and \$432 for Ramapo school district based on the function 230 budget category. In this comparison, Pascack's total administrative costs were in the median range among the comparative districts. However, its communication cost was the highest of the comparative schools. In the Comparative Spending Guide published by the New Jersey Department of Education, Pascack's Total Administrative Cost, Indicator 8, is the highest among the 49 regional high schools.

Communications/Telephones

Based on the audit report, the district expended \$91,565 in 1994-95, \$103,066 in 1995-96 and \$132,261 in 1996-97 for communication/telephone cost charges. The district's telephone and postage costs are charged to this account with the major portion coming from telephone expenses. A comparison of Pascack Valley's communication expenses with schools of similar size and demographics revealed Pascack's expenses to be the highest for 1996-97 period. The per pupil cost was \$93 compared to the next highest which was \$65 and the lowest per pupil cost in this group which was \$5 per pupil.

The team analyzed the communication cost for the 1996-97 school year and, according to our review, the communication costs have increased more than 22% between 1995-1996 and 1996-1997, and 31% since 1994-1995. A number of factors contributed to this increase including additional telephone lines, fax line installments, voice mail service and the T-1 phone line (a service which improves the speed of connecting to the Internet). The district spent \$8,031 in long distance usage, \$70,909 in local usage, \$27,086 in voice mail service and other related telephone costs, and \$26,235 in postage costs.

In reviewing the costs associated with the telephone service, the review team also looked at the reimbursement procedure for personal usage by employees. Under the present system employees who wish to call outside the local calling exchange have to place their calls through the district operator, identifying themselves and the number being called. When the bill is received, the district collects the charges from the employee for personal calls.

An analysis of telephone expenses for the 1995-96 and 1996-97 periods revealed that the district expended \$488 (1995-96) and \$1,185 (1996-97) for directory assistance. Most of the telephone directory assistance calls are local or within the 201 area code. Currently, the superintendent's office is using a telephone directory software program, which provides most of the telephone information within the United States.

Recommendations:

- 1. The team recommends that the district contact one or more companies specializing in telephone services to conduct a telephone audit to explore options for cost savings.**
- 2. The district should attempt to negotiate a better deal with the current telephone service providers and/or examine the necessity for some of the telephone services. The T-1 phone line provides 24 hour service to the district, but is not generally utilized after school hours. The district may want to consider the feasibility of subleasing the T-1 phone/data line to reduce costs.**
- 3. Using the available computer software to search for telephone information is a good practice. The district should consider implementing this program in the entire district to eliminate directory assistance charges.**

Cost Savings: \$1,185

Technology

A Technology Committee has been operating in the Pascack Valley Regional High School District since 1991 and the district is currently in the fourth phase of a five phase technology plan, with a total estimated cost of \$1.7 million. The mission statement is to incorporate technology into the school environment to:

- **Infuse** the application, understanding, and conceptual awareness of technology and its impact on students, society, and the future;
- **Focus** on the educational benefits derived by utilizing technology as a means to individualize education and enhance teacher effectiveness by fostering life-long, self-directed learning;
- **Encourage** and accommodate staff development in the areas of technology and in the use of educational technology;
- **Develop** an awareness of technology in an increasingly complex world and utilize it to enhance problem-solving strategies, as well as creative thinking skills.

The review team was favorably impressed with the progress made by the regional district in the area of technology. The district has incorporated technology into the curriculum, with computers, software, networks, and wide-band Internet connection, much earlier than many other school districts. The Technology Committee developed basic models of technological areas to be established, including model classrooms, technology rooms, and technical resource centers. Knowledgeable technology staff, teacher and secretarial in-service training, and quality equipment have been provided on a gradual phased-in and ongoing basis, which is most effective due to the rapid changes and transitions common with technology advances.

The district has computer networks for building instruction, school administration, and general administration (central office). School administration computer in-house services include student scheduling, daily attendance and academic progress. The School Business Office uses the Educational Management Center (a cooperative based in Gloucester County) on an IBM System 36 for purchasing, accounting, and payroll and the INFOBID component for bids and vendor information. Pascack Regional is the only district in Bergen County to utilize this system. The district is going to be part of a pilot project to be run by the vendor for DOS based

platforms and, later, windows based platforms for better system integration. As noted under the Transportation section of this report, the district does not have a computer software program to utilize in scheduling bus transportation routes most efficiently.

Recommendation: The Pascack Valley Regional High School District is well positioned relative to its long range technology plan. The district should continue to budget a reasonable amount of money each year to maintain and enhance effective utilization of technology. In view of the expense of the T-1 data line, the district should consider avenues for sharing the usage and costs of their rapid band-width network connections with local elementary school districts, municipal governments, or other agencies.

Auditor Fees

The district had utilized the service of the same auditor for more than ten years for its annual audit. In 1996-97, the district hired another auditor to conduct additional services, such as payroll and Region II audits. The district expended \$10,440 in 1995-96 and \$15,480 in 1996-97 for audit fees paid to its auditors. The 1996-97 fees included an additional \$4,725 for the payroll and Region II audit, and \$1,200 for a food service audit. The base fee was \$9,550.

The district's auditor retired in 1997-98 and a new auditor was hired at an annual base fee of \$15,000. The new rate is more than a 50% increase in costs. Before the auditor was selected, the district prepared requests for proposals to seek competitive alternate audit services from other qualified accounting firms. The board does not have a formal contract with the accounting firm for its service.

Recommendation: The district should enter into a formal written agreement with its auditing service providers which specifies the nature and extent of services to be provided.

Board Member Expenses

An analysis of board member expenses for 1995-96 (\$27,697) and 1996-97 (\$27,072) school years was conducted by the review team. It revealed that most of the expenses were paid for membership dues to NJSBA, travel, gifts and trophies. Board members are not issued credit cards and cellular phones. Members receive reimbursement for mileage and expenses when attending conferences. The board does not have a policy for board member expense reimbursement. Overall, the board uses its account funds appropriately.

Recommendation: The board of education should establish a policy which includes language appropriate to payment of legitimate expenses incurred by board members and district staff. Further, board policy should set limits for travel, lodging and meal expenses.

Instruction

Pascack Valley Regional School officials take pride in their record of academic achievement, with the highest expectations for all students and the provision of challenges to enable all students to reach their maximum capabilities. Reported indicators of education progress include:

Indicators of Progress			
Advanced School Study	93%	Garden State Scholars	32
HSPT - Math	99.7%	National Merit Finalists	2
HSPT - Reading	98.9%	National Merit Commended	21
HSPT - Writing	100%	Advanced Placement	141
SAT - Verbal Mean	526	Graduation Rate	100%
SAT - Math Mean	524		

Both high schools, are organized as comprehensive high schools with essentially identical programs and services for the teenage populations. According to the NJ Department of Education - Comparative Spending Guide, the total cost per pupil in Pascack Valley Regional in 1994-95 ranked 48th, in 1995-96 ranked 49th, and

in 1996-97 ranked 48th (ranked low to high) among 49 regional school districts. Total classroom instruction and classroom salaries and benefits consistently ranked 49th in all three years. The median teacher salary also ranked 49th, with a median salary of \$72,000 in 1995-96 and \$76,180 in 1996-97. With declining student enrollments over the past decade, one of the higher salary guides in the state, a very senior staff and the duplication of programs and services in two schools, Pascack Valley Regional School District has a history of high per pupil costs for instructional purposes.

Pascack Valley Regional High School District has a history of high academic achievement and high educational costs. In budget presentations the current board of education pledges a commitment to being educationally and financially efficient and effective in all of its operations. Community critics of the school district contend that other high schools have comparable levels of student achievement with somewhat lower per pupil costs. Community supporters of the school district are in agreement with current levels of financial support and express concern that further budget reductions will impact educational quality in a negative manner.

It should be acknowledged that school officials have already set in place a number of efficiencies resulting primarily from the budget defeat two years ago. In an effort to utilize teaching staff in a more effective manner, a growing number (16) of teachers are now designated as “swing” teachers, i.e. they teach classes in both high schools, with a free period for travel between schools. Several teaching vacancies resulting from retirements have not been filled in an effort to contain costs. Some programs have been eliminated or curtailed as the student enrollments do not support continuation of certain classes. A class size policy has produced some increase in the average class size of each high school, which has been an expressed concern by some teaching staff members, parents and students.

The school instructional budget is determined primarily by the number of staff members employed and by the level of salaries and benefits paid. For example, in 1996-97, 96.7% of the total class instruction cost was composed of salaries and benefits. Only 3.3% was devoted to classroom general supplies, textbooks and purchased services. Consequently, any significant efficiencies in this area necessarily must center around staffing numbers and salary/benefit costs and trends. Number of students, variety and levels of course offerings, class sizes and teaching load limitations determine the need for staffing in high schools.

Teaching Loads

The typical Pascack Valley regular classroom instructor has an assignment of five classes and an extra duty period during an eight period day. The exceptions are English teachers who are often assigned four classes and an English lab and Science teachers who have four classes and four lab periods. These teaching load limitations are set by negotiated agreement, past practices, and policies. These teaching load practices appear to be within the normal range for New Jersey high school teachers. Our examination of the class schedules at both high schools indicate that regular classroom teachers generally have been assigned in accordance with the teaching loads indicated above and have relatively normal workloads in terms of teaching periods.

Several of the relatively new team teaching course offerings, however, occupy a large part of the schedule of several teachers. The Senior Humanities course in the English Department at Pascack Hills High School has three teachers who are assigned for two periods each to teach a relatively new course for 28 students. The Physics/Technology classes (2) at Pascack Valley High School have enrollments of 19 and 20, with two instructors assigned for the two double periods each. The Exploratory Technology class which meets for one period also has two instructors and a student enrollment of 15. These team teaching arrangements are considerably more expensive for instructional time and salaries than teaching a regular class.

Recommendation: It is suggested that efforts be made to keep new course offerings (which may involve team teaching) on a cost effective basis, at least after the initial start-up phase, which normally involves additional planning time. This could be accomplished through the establishment of a minimum class size for new course offerings.

The negotiated Agreement with the Education Association provides that a normal load involves teaching five classes per day, plus one study hall per day or the performance of equivalent services. Also, teachers assigned to both schools on a daily basis have a travel period and are not assigned a sixth supervisory period. Within the allotted six periods for teaching activities other than preparations and lunch, it would appear that a double period class which is taught in a team teaching situation should count as one of the five allowed classes per day rather than two. These teachers, of course, would not be assigned a study hall or other duty period.

Class Size

In Pascack Hills High School, the English and Related Arts Departments have an average class size of 21 to 22 students. The Business/Mathematics and Social Studies Departments have an average class size of about 20. Two departments, Science, and World Language have an average class size of 18. The Physical Education/Health classes range from 14 to 40 and average 28 students. According to the data we were provided, exclusive of the Special Education Department, there are 33 courses with fewer than 15 students per class, compared with 26 classes of 28 or more. Of the 26 classes, 16 classes, or 62%, are in choir, band and physical education where large numbers of students are expected.

In Pascack Valley High School, the English Department has an average class size of 22 students. The Business/Mathematics, Science, Related Arts and Social Studies Departments have average class sizes of 19 to 20 students. The World Language Department has an average class size of 17. The Physical Education/Health classes range from 12 to 40 and average 28 students. Exclusive of the Special Education Department, there are a total of 35 classes with enrollments below 15 students and 20 classes with 28 or more students including choir, band and physical education.

While the Pascack Valley Regional High School faculties are accustomed to relatively small classes, the current class sizes appear to be within the lower normal range for public high schools of comparable enrollment. It is recognized that scheduling conflicts and single course offerings often complicate or preclude the equalization of class enrollments. However, teacher assignment and scheduling decisions have huge cost implications and also impact instructional quality.

Recommendation: Efforts should continue in scheduling to limit the number of academic classes with larger enrollments, particularly when the classroom furniture, equipment or instructional technique will not readily accommodate the larger numbers. Correspondingly, on a cost effectiveness basis, the number of classes with enrollments below 15 should be kept to a minimum, while meeting student needs whenever feasible.

The World Language offerings of three languages in each school, with several levels of Spanish, in particular, may need review in the near future. The four sending elementary school districts are not offering three languages consistently. High school language teachers are currently teaching many combination classes, i.e. two or more levels in the same period. Enrollments are quite limited in French and German. Must language course offerings be identical in each school? Recognizing the importance of languages, consideration should be given to some specialization between high schools in this area.

In Pascack Valley High School 14 levels, i.e., separate courses, are offered in Spanish with a total enrollment of 511 students. There are 9 levels of French with 61 students and 3 levels of German with 29 students. In summary, 85% of the world language enrollment is in Spanish, 10% in French and 5% in German. There are currently 36 sections of language courses, with an average class size of 16.8 pupils per class. By increasing the average class size to 20 students per class, Pascack Valley High School could have 31 sections and, consequently, the need for one fewer World Language staff member.

In Pascack Hills High School, there are 12 levels of Spanish with an enrollment of 292 students. Correspondingly, there are 10 levels of French with an enrollment of 124 students and 3 levels of German with 31 students enrolled. In summary, 65% of the world language enrollment in Pascack Hills High School is in Spanish, 28% in French, and 7% in German, with an average class size of 17.9 students. By increasing the average class size to 20 students, the Pascack Hills High School could reduce the number of sections from 25 to 23.

Recommendation: Consideration should be given to a re-examination of the language offerings and scheduling in both high schools, which can result in a reduction of one staff member with a potential savings of \$80,000 to \$100,000.

Cost Savings: \$80,000 to \$100,000

It is also recommended that those departments with class size averages of 17 to 18 be examined to determine whether more cost effective course offerings and scheduling arrangements can be made. These include the Science and World Languages departments at the Pascack Hills High School and the World Languages department at the Pascack Valley High School.

Compensatory Education

According to the 1996-97 CAFR report, the Pascack Valley Regional High School District had the highest expenditure of \$652,790 in basic skills-remedial education in comparison with the four other comparable regional high school districts.

	Basic Skills-Remedial	At Pascack's Enrollment
Pascack Valley	\$652,790	\$652,790
Hanover Park	\$374,512	\$418,053
Ramapo	\$170,282	\$144,374
Northern Valley	\$131,719	\$98,048
No. Hunterdon-Voorhees	\$87,916	\$60,236

Hanover Park had the second highest expenditure. The review team is aware that the Pascack basic skills appropriations in 1996-97 were \$744,043 and the 1997-98 budgeted amount for this item was \$508,630. The review team did not find any extenuating circumstances in the Pascack Regional High School District which seemed to justify this spending level for basic skills.

Recommendation: It is suggested that the district examine the local testing standards and any other factors which are used to determine the need for basic skills-remedial instruction. While remedial education is a valuable educational service, there should be clear justification of the necessity for the relatively high cost.

Staff Experience and Education

According to the Quality Assurance Annual Report, October, 1997, the regional district has the following Professional Staff Profile:

Professional Experience

Years of Experience	Number of Teachers	Percent
0 - 10	16	10.6%
11 - 23	48	31.8%
24 - 40	87	57.6%
Total	151	100%

Educational Background

College Degree	Number of Teachers	Percent
BA to BA+30	25	16.6%
MA to MA+30	72	47.7%
MA+45	45	29.8%
Doctorate	9	5.9%
Total	151	100%

About three fourths (3/4) of the teaching staff are located at the top of the salary guide and more than 80% have a MA degree or higher. The Regional district has a very experienced and well educated staff, which accounts for much of the relatively high average teachers salaries and high per pupil instructional costs.

The review team received many positive comments about the excellent teaching staff in the Pascack Valley Regional School District. Senior staff members possess valuable knowledge and experience which can have a positive impact upon instructional quality. School districts at various times in their history, have varying proportions of senior staff with greater amounts

of experience and, consequently, higher salaries. Whenever there is a “bulge” in the numbers of veteran teachers, school officials can either patiently wait for time to alter the staff composition, or develop a proposal for voluntary retirement.

Sick Leave Compensation

The Pascack School District currently has a provision for payment of unused sick leave whereby a teacher over the age of 55 can be paid \$75 per day after 25 days, up to a maximum of \$15,000 upon retirement. Because of the uniquely high salaries found in the district based upon the years of service and the educational experience of the teaching staff, **it is recommended that the district consider a buyout of \$125 per day with no minimum up to a cap of \$20,000 for all teachers, but mainly directed at the 63 teachers who have more than 25 years experience and are over 55 years of age, and, therefore, qualify for health benefits upon retirement.**

Eighty seven of the district’s 128 teachers are at the top of the salary scale. The district’s high salary costs per student can be directly attributed to this. Given the unique circumstances found within this district, it is evident that an early leave incentive that does not have a lingering cost, over time would save the district considerable amounts of money without seriously damaging the quality of education found within the district. The important characteristics are that the offer shall have an expiration date, the sick leave payment is not pensionable and teachers hired to fill these positions be hired at no higher than the third step of the MA level of the salary scale.

In the current supervisors’ contract, the district temporarily raised the sick leave cap from \$15,000 to \$38,500 and increased the per diem from \$75 to \$175 to induce some of the supervisors to retire. Seven of ten supervisors reportedly accepted the provision. The district also exempted new supervisors from sick leave pay outs and reduced the starting salaries for new supervisors. The supervisors’ negotiated inducement amount was rather high, but for the teachers a smaller inducement should result in a number of teachers taking advantage of additional sick leave payments. Even at \$20,000, this could result in a number of teachers being induced to take advantage of this supplemental nest egg. By increasing the per diem temporarily, the district is encouraging more teachers to take advantage of this one time offer.

Local Government Budget Review believes that temporarily increasing the cap to \$20,000 and the per diem rate to \$125 would be sufficient inducement toward an early retirement. This should be offered to all employees in the bargaining unit as a side bar agreement with a defined expiration date. Teachers who would have a propensity to accept this offer would probably have more than 25 years in the district so they would qualify for health benefits through the state health benefits system upon retirement. Those who have over 30 years experience and are over the age of 55 would be most likely to retire due to the pension amounts combined with the free health benefits. Potentially, there are 63 teachers who have over 25 years in the district, 23 of them have over 30 years and are over age 55. If one half of the 23, or 11, would take early retirement and 10 of the remaining 40 teachers who have more than 25, but less than 30 years in the district were to take the offer of \$20,000 and the district were to hire replacements, if necessary, at no higher than the third step of the MA level, the district would save approximately \$457,322. These calculations are made taking average salaries for both groups of teachers in the test year (1996-97) and adding approximately \$5,000 in increases over the next two years (1997-1998 and 1998-1999) as illustrated:

Years of Service	Estimated Number in Category	Average Salary Including Longevity	Average Salary Increase 1997-98 1998-99	Maximum Sick Leave Benefit	Replacement Salary Cost	Potential Savings
>25=<30	10 of 40 Eligible	\$76,677.25	\$5,000 Total 2 Yrs.	\$20,000	\$42,250	\$194,273
>30	11 of 23 Eligible	\$78,209.13	\$5,000 Total 2 Yrs.	\$20,000	\$42,250	\$230,550
			TOTAL			\$424,823
			SOCIAL SECURITY & MEDICARE			32,499
			TOTAL			\$457,322

Recommendation: The district should offer an early leave incentive of a sick pay buyout of \$20,000 with an increased per diem rate of \$125 for a limited time as an inducement to get some of the higher paid teachers to retire. Based upon the above assumptions, the district would save approximately \$457,322 in salary costs. Though LGBR does not normally suggest increasing sick leave buyout provisions, in fact, we normally suggest the opposite, the unique circumstances in this district suggest that this might be a viable alternative to reduce salary costs.

Cost Savings: \$457,322

Hiring Practices

In reviewing a scattergram of the teaching staff of Pascack Regional School District for the 1996-997 school year, it was found that there were five teachers located in the first eight steps of the guide. The remaining 123 teachers of this staff of 128 teachers were located on steps nine through sixteen. Of the total staff, 104 teachers, or 81.2% were at the top salary step or beyond.

Unquestionably, experience is a valuable component of teaching skill. However, because of the structure of teacher salary guides, it is also expensive. Given the high percentage of experienced teachers on the staff of the Pascack Regional School District, consideration should be given to selecting future employees with less experience than has been the practice in the past. In addition to the obvious savings in salary, a staff with a mixture of experience and youth provides flexibility in meeting the needs of students.

Recommendation: The board of education and the superintendent should establish a policy on hiring new teachers which limits the number of steps granted for previous teaching experience to five years when new employees are placed on the salary guide.

Collective Bargaining Agreements

The LGBR team reviewed four collective bargaining agreements in the district. The following chart illustrates the unit, the employees represented, and the dates of the contracts reviewed:

<u>Unit</u>	<u>Employees Represented</u>	<u>Contract Period</u>
Pascack Valley Regional Education Association	All certified personnel excluding Administrators and Supervisors	July,1996-June,1999
Pascack Valley Regional Support Staff Association	Custodians, Secretaries, Aides	July,1994-June,1997
<u>Unit</u>	<u>Employees Represented</u>	<u>Contract Period</u>
Pascack Valley Regional Administrators' Association	Principals-Vice Principals	July,1994-June,1997
Pascack Valley Regional Supervisors' Association	Supervisors of Instruction	July,1994-June,1997

Successor agreements are in the process of being resolved with the three groups whose contracts ended on June 30, 1997. The references contained in this report are to language found in the contracts identified in the chart above. In addition to these negotiated agreements, the team also reviewed the individual contracts of non-affiliated employees, including the superintendent and the business administrator.

Personal Days

Personal leave is a negotiated provision which allows employees to be absent without loss of pay for reasons other than illness, professional activities or bereavement. Acceptable reasons for such absences include family

illness, religious holidays, court appearances and any other personal business which occurs during the workday. The chart below lists the personal leave provisions which currently exist in the district:

<u>Contract</u>	<u>Annual Personal Leave</u>
Pascack Valley Regional Education Association	5 days per year for 10 month employees 6 days for 11 month employees
Pascack Valley Regional Support Staff Association	5 days for 12 month secretaries and custodians 4 days for 10 month secretaries and custodians 1 day per year for cafeteria aides

<u>Contract</u>	<u>Annual Personal Leave</u>
Pascack Valley Regional Supervisors' Association	5 days per year
Pascack Valley Regional Administrators' Association	No provision for personal leave is found in this contract
Superintendent's Contract	6 days per year
Board Secretary/Business Administrator	6 days per year

Unused personal leave is not credited to another school year, but must be used in the year it is granted. It is a "use it or lose it" benefit in each of the contracts in which it appears. The generally accepted standard for personal leave in school districts and municipalities across the state is three days per year. For teachers who work 185 days per year, three days has proven to be an adequate provision. Twelve month employees have vacation benefits in addition to personal leave to use to provide time for personal business.

Recommendation: The board of education should negotiate a change in the personal leave provisions to provide three days per year for all employees. If this change was accomplished, a substantial savings in the cost of substitute teachers could be realized. Based upon a \$55 per day substitute cost and 128 teachers, the potential savings in substitute cost for these two days is \$14,080. Another major benefit to this reduction in leave is the increase in productive time for the district. Although substitutes may not always be hired for all 214 employees in the district, reducing personal leave to three days per year will result in 428 additional productive days.

Cost Savings: \$14,080

Longevity

Salary guides for teachers, secretaries/clerical personnel, custodial/maintenance personnel and aides contain provisions for longevity payments, in addition to the salary guides. These longevity payments are awarded to employees solely on the basis of years of service. Of the 214 employees in the district during the 1996-1997 school year 127 employees received longevity payments in addition to their salaries. The total cost of these longevity payments was \$131,350.

The LGBR does not support the concept of longevity payments. In Pascack Valley Regional the salary guides are very generous. Longevity payments that are not reflected in the guides can also be misleading to the public in making comparisons with other school districts.

Recommendation: The district should eliminate longevity increments from salary guides. Employee compensation should be reflected in the salary guide without adding additional categories for reimbursement based on years of service.

Cost Savings: \$131,350

Vacations

Vacation provisions are found in the contracts for all twelve month employees, ranging from ten days after one year of service to a maximum of twenty days after ten years of service, with the exception of the administrators. In questioning the absence of contract language relative to vacations in the administrator contract, LGBR was advised that the practice was that administrators received twenty days per year. To avoid any misunderstanding or misinterpretation of what the vacation provision is for administrators, it is recommended that language be included in the agreement specifying the terms of this benefit.

The language in the superintendent's contract is clear and encompasses all aspects of a vacation provision. The number of days is set forth, twenty-three days per year, and limitations on the use of vacation time are outlined. For example, the superintendent is expected to work during the traditional breaks at Christmas and

the winter and spring breaks, depending on the calendar, but may use vacation during these periods. Also, vacation must be used within one year after the vacation days are accrued. These conditions should be included in vacation language in the administrators' contract as well.

Professional Growth

The Pascack Valley Regional Board of Education encourages members of the professional staff to take courses to improve their teaching abilities and, for this purpose, tuition costs are subsidized by the district. Teachers are reimbursed for the total cost of those courses which have been approved by the superintendent. The maximum reimbursement for a teacher is \$1,000 in a school year and the total payment by the Board of Education is \$20,000 per year. The contract language sets forth the eligibility requirements for this benefit and the terms and conditions governing its use. The contract also sets forth limits on the amount of this reimbursement for each teacher per year and a total dollar commitment by the board of education per year.

Black Seal License

A black seal license is required by the Department of Labor (NJSA 34:7-1) to monitor a low pressure boiler system when it is in operation. Whenever a public building is occupied and a low pressure boiler is in service, a holder of this license must be on duty. At the present time, the Pascack Valley Regional School District encourages custodial personnel to acquire this license and they pay an additional salary stipend of \$600 annually to those custodians who are licensed. The cost of these additional stipends for the school year 1996-1997 is \$10,800.

Recommendation: The board should eliminate this stipend from the contract through future negotiations and require new custodial employees to secure the license as a condition of employment. New employees could be given a period of time after they are employed to meet the licensing requirements and the district could assist them by arranging for the training and the testing requirements for obtaining the license.

Cost Savings: \$10,800

Shift Differential Pay

Custodians who work the evening shift or who work a Tuesday-Saturday shift are paid salary differentials of \$300 annually. There are 19 employees receiving this stipend and the total cost for the 1996-1997 school year is \$5,700.

Recommendation: The board of education should eliminate the payment of additional stipends for evening and Tuesday through Saturday shifts in future negotiations. The shift assignment should be a condition of employment and should not require a bonus. The nature of the work and the number of hours worked are the same from one shift to another and, therefore, should not require additional salary.

Cost Savings: \$5,700

Negotiated Salaries

In the New Jersey Department of Education Comparative Spending Guide published in March, 1997, the median salary for teachers in the Pascack Valley Regional School District is \$76,180. This is the highest median salary in the State. Obviously, a contributing factor to this distinction is the experience level of the teachers in this district. As indicated in another section of this report, teacher salary guides include annual increases for each year of service. The comparative cost per pupil in this district is \$13,699 for the 1996-1997 school year. This is the second highest per pupil cost in the state and teacher salaries account for the major portion of this cost.

In recent negotiations with supervisors and administrators the board has managed to limit salary increases to levels that are more in line with the Cost of Living Index and with other school districts in the area. **It is important that the next negotiations with the teachers reflect a similar approach. Given the current salary levels in the district compared to the rest of the state, every effort should be made to maintain salaries at their current levels.**

Insurance

Property, Casualty and Workers' Compensation

Pascack is involved in both a Joint Insurance Fund (JIF) and a Health Insurance Fund (HIF). The district has been involved with the JIF for some time and the fund's managers have been pro-active in seeking reduction of premium and risk through taking advantage of some market situations found in the property and casualty market, by insuring through the marketplace versus self insuring in this area. They also have been buying policies for three years at a flat rate with an annual renewal. For workers' compensation they utilize a third party administrator who runs all claims through the JIF's medical providers. The district has taken a pro-active stance toward reducing claims while providing the necessary care to get their employees to return to work as quickly as possible.

The district has an employee, who on a part time basis, functions as a safety officer and is trained in some workplace hazards, such as asbestos exposure. The district should consider expanding his role to risk manager for the district and give him adequate training for

certification as a safety officer. **The board should require from the safety officer a benefit cost analysis of safety measures that the officer has implemented, much like Lower Camden Regional School District requires of its risk manager. Additional cost for training would be about \$10,000.**

Value Added Expense: \$10,000

The JIF should also provide a rotating library of safety oriented video tapes to be circulated among its membership. This could encourage safety consciousness within the JIF, even more than is presently found. The individual school districts are experience rated within the fund so every district is paying based upon its performance. This allows a district to get rewarded for its safety record when it is better than the group's average.

Health Insurance

The district recently switched over from the State Health Benefits Plan to a Health Insurance Fund (HIF). The fund's management priced the fund very aggressively in order to attract business. After the first year in operation, the fund is running at a deficit that will have to be made up by its membership in order to keep the fund viable. The numbers were not finalized during the review, but the district was estimating approximate contributions of between \$100 and \$150 per insured employee. The fund is hiring a claims auditor to seek possible adjustments to the claims to industry average prices. Three municipal and three school HIFs jointly signed up for the claims audit. Among all the HIFs they have an average claim of \$207.26 and the auditor is conducting a 400 claim sample. They jointly plan to spend about \$83,000 for the audit and this HIF is contributing \$26,133 of the total amount. This money is coming from the HIF's administration fee. They are hoping to reduce the claims costs in order to reduce the possible deficit to the fund.

The teachers' association and the board agreed upon the switch to the Health Insurance Fund a year ago. The fund was established as an "equal to or better than State Health Benefits Plan" and has been in operation for over one year; therefore, changes can be made to the components of the fund. One of the options currently available for the fund is a preferred provider option. At the team's request the actuary for the fund conducted a study for cost savings, should the district establish as a floor a preferred provider option rather than the traditional plan. The difference in cost would be passed on to the employee, as is done in the State Health Benefits Plan. If the HIF were to offer a preferred provider option with a \$200/\$400 deductible and 70/30 out of network payment with a cap of \$5,000, the district could save about \$463 per insured employee, or \$85,624. If the deductible is maintained at the current \$100/\$200 level and there is an 80/20 out of network payment with a cap of only \$2,000, the savings would be \$362 per employee, or \$58,667.

The district could also implement a policy of charging a portion of other than single coverage to the employee. Many families have dual coverage with both parents working and this charge would induce choice and costs into the equation. Most companies are charging a portion of their health care costs back toward the employee as a result of the large increases seen in insured health care costs. This has not been the case with public employees. The

State Health Benefits Plan still has \$100/\$200 deductibles, yet most plans are moving away from this line toward higher deductibles. Teachers in Pascack earn, on average, in excess of \$75,000 and do not pay any portion of their benefits.

The district should endeavor to negotiate a 20% co-pay for costs other than single coverage. If the district were successful, at 1997-98 rates they could expect to save \$129,603 by passing these costs onto the employee. The district could also set up medical savings accounts under Section 125 of the IRS code in order to lessen the effect of the co-pay and to reduce the tax burden of its employees. The employee would be exempt from paying Federal taxes on this account. (LGBR utilizes current year costs for health benefits rather than the study year costs due to the volatile nature of pricing in the health insurance market place.)

Another item that is missing from the HIF is a participation survey of the quality of medical care received. Attracting quality employees is a high priority. If the HIF were to institute a quality survey with response to the insured, the plan and its membership would benefit.

The district could, as part of its negotiations, consider providing a group discount prescription card which allows employees to buy at below pharmacy rates. For example, instead of paying \$40 for a prescription, an employee with the card may only pay \$25.

Recommendations: The district should negotiate to replace the traditional plan with a preferred provider plan. Dependent upon the options selected, it is estimated the district could save between \$58,667 to \$85,624. The district should also negotiate a 20% co-pay for other than single coverage with its bargaining units. This would result in an approximate savings of \$129,603. The district should consider doing health care quality surveys in order to improve care found in its insurance program. The HIF should be commended for doing a claims audit to possibly reduce some of the claims costs. Another option that the district should consider is a 100% co-pay prescription card that, for a moderate per claim charge, allows its membership the privilege of a plan discount.

Cost Savings: \$188,270 to \$215,227

Legal Fees

The review team studied the district's legal expenses for the 1995-96 and 1996-97 school years. A review of the vendor records indicated a total of \$32,984 for 1995-1996 and \$26,851 (includes \$3,276 for Region II special education legal service) for 1996-1997 was expended, respectively. Most of the fees were for telephone conferences, contract design and review, bid evaluation and review, special services and complaints. The district has utilized the services of the same solicitor for several years. Before the solicitor was chosen, the district performed a survey of the hourly legal rates paid by neighboring districts. The school solicitor was compensated at the rate of \$95 to \$115 per hour with no retainer fee and no out of pocket fees, such as the costs of telephone, fax or copies. The board does not have a formal contract with the law firm for legal services. Legal fees were decreased by 19% from school year 1995-96 to 1996-97. This was due to a case brought against the district in 1995-96, which resulted in a settlement of \$3,000 in that year.

A comparative review of legal fees charged to other districts including Park Ridge, Paramus and Montvale indicated that Pascack is paying comparable fees per hour for legal services.

Recommendation: It is the recommendation of the LGBR that the Pascack School District enter into a formal contract with a legal firm for its basic legal services, which should contain a not-to-exceed amount. The district should also consider a retainer fee arrangement with their attorney. This fee should specify and outline specific services to be performed by the attorney. Additional duties to be provided by the firm should be clearly outlined with a written fee schedule of services outside the base contract and retainer schedule. The contract(s) should be measured against current and past year's legal costs. This will enable the district to get better control on anticipated legal expenses for budget purposes and provide the board with legal protection.

Cash Management

The team reviewed the checking and savings accounts maintained by the Pascack Board of Education for the purpose of possibly identifying ways the district could improve its interest income and reduce the costs associated with reconciling and maintaining its banking accounts. During 1996-97, the district maintained 19 checking accounts in two separate local banks and was earning interest income of between 4.75% to 5% in all the accounts.

A review was conducted of the amount of interest earned by the district in its operating accounts. The average monthly balances in 1996-97 ranged from approximately \$1,029,771 to \$1,688,952. The district received \$35,157 for the year 1996-97 in interest income, which does not include the \$292,738 interest earned from the New Jersey Cash Management Fund (NJCMF). In this same period the district was assessed \$13,824 in service charges in the operating account. These charges included account maintenance fees of \$15 per month for each account, \$.40 for each deposit made, \$.18 for each check paid, and a \$.06 account reconciliation sorting charge for each check. The bank also provides services like payroll processing, business express maintenance, and electronic fund transfer. The district does not actually pay the full service fee to the bank. Instead, the service fees are waived if the district maintains a positive net available balance.

However, in waiving the services fees, the bank also reduces the average positive collected balance by 10%, which is the reserve requirement to determine the positive available balance. Next the bank calculates the net available balance by deducting the balance required from the positive available balance. If the net available balance is positive, the district will be credited with interest income based on the net available balance. If the net available balance is negative, the district will be billed for service charges based on the negative net available balance. The district must always maintain sufficient balances to receive free service. The required balance amounts change every month depending on account activity. This required balance receives no interest income.

Most districts invest a portion of their balances that are in excess of the positive available balance into Certificates of Deposits or the NJCMF, to earn higher interest. NJCMF is a conservative investment fund utilized by the State. Pascack is one of the districts that invested its excess fund in NJCMF to secure higher interest.

For comparative purposes, the team evaluated interest paid to the district from its bank against interest rates that would have been paid by the New Jersey Cash Management fund. The chart below compares the earning rate of the district's bank accounts and that of the New Jersey Cash Management Fund for the period from July 1, 1996 to June 30, 1997.

Pascack Board of Education Interest Rate Comparison for the Year 1996-97		
	District's Bank	NJ Cash Mgt. Fund
Jul-96	4.75%	5.63%
Aug-96	4.75%	5.64%
Sep-96	4.75%	5.60%
Oct-96	4.75%	5.55%
Nov-96	4.75%	5.53%
Dec-96	4.75%	5.52%
Jan-97	4.75%	5.39%
Feb-97	4.75%	5.24%
Mar-97	4.75%	5.17%
Apr-97	5.00%	5.19%
May-97	5.00%	5.16%
Jun-97	5.00%	5.16%
Average	4.81%	5.40%

The district's rate was slightly below (about half a point) the rate paid by NJCMF. However, NJCMF does not provide the services that the bank provides to the district, such as check printing and processing. In view of the costs of these services, the district receives an excellent rate from the bank. The team also compared service charges between the district's bank and another bank, identified as Bank X, as illustrated on the following table:

	Pascack Bank		Bank X	
	Service Charge	Balance Req'd	Service Charge	Balance Req'd
Account Maintenance	15.00	3,285.00	20.00	9,323.11
Checks Paid	.18	39.42	.19	97.51
Deposits	.40	87.60	.50	235.48

These figures indicate that Pascack is paying comparable service fees and is not required to maintain a higher balance than required by Bank X.

The district and the bank have also entered into a formal written agreement outlining the specific services to be provided, the cost per unit of service, and the manner in which these costs will be paid.

Overall, the team found that the district followed an aggressive investment strategy and its financial management system policies and procedures were working. It is suggested that the district periodically review this program with area bank offerings in order to maintain optimal investment opportunities.

Recommendation: The district should combine all the scholarship fund accounts, all the athletic accounts and all the student government accounts into three bank accounts, thereby reducing the total number of accounts from nineteen to three. This would lend itself to a simpler and more efficient

method of account management, which would result in enhanced opportunities for interest earnings and minimize the account maintenance charges.

Savings on account maintenance charges: \$1,620

Purchasing

The purchasing operation is a function of the business office and is performed by a staff person with two job titles, assistant bookkeeper and secretary. The purchasing system handles about 3,400 purchase orders per year. The district uses Educational Management Center (EMC) System 36 for purchasing and maintains a purchasing procedure manual. Purchasing is initiated primarily from each school and controlled by the business office. Steps in the purchasing process are as follows:

1. An informal requisition is initiated by the teacher or staff member with the need. This is approved by the principal and forwarded to the business office.
2. The staff in the business office keys the data into the system and verifies that the proper account number is on the purchase order; that there are sufficient funds in the account; that all necessary data is included; and that purchasing procedures are followed. Purchasing procedures have been established relative to pricing, the use of state contracts when available, and obtaining quotations or bids on the cost of the item.
3. The business administrator approves and signs the purchase order.
4. The business office then encumbers the funds, sends the purchase order to the vendor and copies to the requester. The requester receives the blue copy which is later used to verify delivery.
5. When the requester receives the order, he/she provides delivery information on the copy and returns it to the business office.
6. The business office then completes a three way match between the blue copy, invoice and original purchase order. When there is a match, the business office creates a bill list for board approval. When the board approves the bill list, the business administrator signs off on the disbursement and a check for payment is sent to the vendor.

The district generally goes through a period at the beginning of each year when the purchasing department appears to exist solely for the preparation of specifications, advertisement and receipt of bids, preparation of bid tabulations and awarding of bids. The district also uses the INFOBID system to calculate the lowest bid and keep all vendor's information and specifications. The district is paying \$892 to maintain the INFOBID system for the 1997-98 school year.

The district usually purchases its school and office supplies under state contract because that generally offers the best pricing. The district also utilizes a combination of state contracts and local vendor quotes to ensure that it receives the best price for the stated quality. For consultant and professional service contracts, the district uses formal requests for proposals (RFP) to seek competitive services.

Many school districts have experienced success in purchasing items at lower prices due to larger quantities. They achieve such savings through extensive involvement in cooperative purchasing efforts with numerous organizations. Bergen County Cooperative Purchasing Office provides cooperative purchasing of more than 27 items, such as fuel oil, gasoline, bottled water, etc. to the member districts. The Pascack Valley School District is a registered member and purchases fuel through the Bergen County Cooperative Purchasing Office. The district is paying 2.7% in administration fees based on each invoice.

Recommendation: It is recommended that the Pascack School District continue to pursue these efforts to save taxpayer dollars through cooperative purchasing.

Photocopiers

Pascack Valley reportedly owns and/or leases ten copiers within the district. Each department to which a copier is assigned is basically responsible for the management of that copier. Staff within these departments deal directly with the vendors' sales and service representatives, make the decisions as to when a new copier is needed, and what model and brand to purchase. It was reported that the district generally does not request bids when new replacement copiers are needed, but rather purchases from the same vendors with whom they have maintenance agreements on existing copiers. At the time of this review, four copiers were in place under lease/purchase agreements. The review team was advised that this is the financing method by which the district normally purchases its copiers.

Photocopying costs can be quite high. In Pascack Valley, in the 1996-97 school year, over \$57,000 was spent to meet the district's routine copying needs. \$50,000 of this amount was paid to one vendor, \$42,000 of which was to cover lease/maintenance/supply costs for two large production copiers. Without securing bids for comparison purposes, it is difficult to ascertain if the district could receive this product at a lesser cost.

The State of New Jersey has recently issued a cost per copy contract, which is available for school districts' use, whereby the customer contracts for *photocopies*, not *photocopiers*. Under this arrangement, the vendor provides the agency with a copier for its use; the agency does not rent, lease or buy the copier, but rather purchases the photocopies. All equipment, parts and supplies, with the exception of paper and staples, are included in the monthly charge. The contract was awarded to various primary and secondary vendors throughout the state according to anticipated monthly copies required, and is intended for copiers making less than 100,000 copies per month. Two of the four lease/purchase copiers within the Pascack Valley District are the large production models noted above, each of which generally exceeds 100,000 copies per month. In these two cases the cost per copy contract would not be a feasible option. However, the review team believes the district could still benefit to some degree from use of this contract. The following is an analysis of several of the district's copier costs against the State's cost per copy contract costs:

1. The district recently entered into a lease/purchase agreement for a copier with a sale price of \$8,451. Over a four year period, including interest payments, the total purchase price of the copier was \$10,032, with monthly payments of \$209. The monthly maintenance charges were \$95, which included up to 13,000 copies per month, with a cost of \$.0073 per copy for additional copies. Average monthly overage charges for this copier were \$40, representing 5,500 copies. The total monthly cost for the average 18,500 copies made on this machine was \$344, excluding supplies. Under the State's cost per copy contract, the cost for the same number of copies would have been \$171 *including* all supplies, except paper and staples. Therefore, for this one copier, the district could have saved \$2076 per year, plus the cost of supplies.
2. The district entered into another lease/purchase agreement for a copier with a sale price of \$3,290. Over a three year period, the total price paid was \$3,732; monthly lease payments were \$103.66. Maintenance charges, including up to 3,000 copies, were \$33, with a cost of \$.011 for additional copies. There were no meter readings available for this copier, and, as such, there were no overage charges identified. The total monthly cost, excluding supplies, for this copier in the 1996-97 school year was \$136.66. Under the State's contract, the monthly cost, including supplies for up to the 3,000 copies included under the district's contract, would have been \$67.50. However, if the actual number of copies made is only 1,000, the monthly charge would be only \$22.50. The minimum monthly savings to the district would be \$69.16, for annual savings of \$830.

The district could possibly achieve similar savings on its other copiers. As indicated above, most supplies are included in the cost per copy monthly charge. Pascack Valley is paying over \$4,000 a year for copier supplies (other than paper and staples) and equipment for other than the large production models. This would represent an additional annual savings to the district.

Generally, the useful life of a copier is five years, depending on usage. The cost per copy contract eliminates the need to purchase new copiers. The Pascack Valley District recently purchased one new copier for \$6,995 and, as discussed above, is making lease/purchase payments totaling \$10,034 and \$3,732 each for two others. Use of the cost per copy contract will clearly result in the district's avoiding the cost of purchasing copiers.

Recommendations:

1. **The district should bid the replacement of its large production copiers to ensure that it is getting the best price.**
2. **Care should be exercised to monitor copier usage and acquisitions to ensure that the appropriate copier is procured based upon realistic usage requirements. In other words, the district should pay attention to its photocopy-related spending.**
3. **The district should consider utilizing the State's cost per copy contract when appropriate.**

Cost Savings: \$7,000

Fixed Assets

The district has addressed the issue of fixed asset control and inventory. The recent conversion to Generally Accepted Accounting Principles (GAAP) for New Jersey school districts mandated that the district set up a General Fixed Asset Group of accounts and provide an inventory method to quantify the historical cost of fixed assets for the district.

The Pascack School District has an inventory list which is controlled by a computer program. A consultant firm was hired by the district to conduct a revaluation of the district's property inventory and accounting cost records every year. Summary revaluation reports were issued by the firm. These reports provided all inventory information, including the market value, acquisition cost, location and depreciation cost, etc. The district submits these reports to the insurance company which insures its properties.

During the review of the disposal of unused or broken school equipment and supplies, the team observed that the cost of the advertisements for this disposal exceeded the selling price. For example, in the 1996-97 school year, the district spent \$130 to advertise in many newspapers in order to sell just a few broken pieces of exercise equipment. The district received only \$50 from the sale resulting in a net \$80 loss. Additionally, its staff time was lost in the process as well.

Recommendation: The method being used to dispose of unused property by the district is not cost effective. In order to save advertising fees, the district should consider advertising the property sale in a couple of local newspapers rather than many newspapers. The district should consider selling all unused school property at the same time, either annually or semi-annually.

Surplus

Surplus is the amount of money held in reserve and left over after the interaction between current year revenues and expenditures. Surplus funds are included in a district's budget in

order to provide funds for emergencies or other unexpected items beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA) effective December 20, 1996, reduced allowable surplus amounts from 7.5% to a maximum of 6%. In accordance with N.J.S.A. 18:A7D-27.1, excess surplus that is over the allowable maximum shall be appropriated. The amount of surplus to leave in a budget ranges from under 3% to 6% of anticipated expenditures. The state does not stipulate the minimum amount of surplus a district should maintain; however, since revenues are not always received on a timely basis and expenditures may vary from month to month, the district must anticipate its cash flow needs throughout the year.

The district's ability to accurately estimate surplus is a function of its success in establishing sound financial controls. These controls ensure the development of accurate surplus estimates, monitoring to determine that revenue and expense estimates in the budget are achieved and taking corrective action when significant deviation from these estimates occurs.

There are trends of school district revenues, expenditures, and annual surplus that enable school districts to accurately estimate surpluses. When a district prepares the budget it knows, fairly precisely, the amount of revenue it will receive for the upcoming year. Over the past four years (1993-94 through 1996-97), the district's revenue from local tax levy ranges from a low of 88.5% to a high of 89.8%, 2.13% to 4.34% from other revenue and 6.3% to 9.4% from state aid. The following table illustrates the district's revenue distribution in the past four years.

1993-94			1994-95		1995-96		1996-97	
General Fund	Actual	%	Actual	%	Actual	%	Actual	%
Local Tax Levy	17,823,374	88.49%	18,891,585	89.36%	17,746,897	89.62%	16,358,291	89.81%
Other Revenue	428,251	2.13%	916,935	4.34%	564,254	2.85%	461,863	2.54%
State Aide	1,889,578	9.38%	1,332,551	6.30%	1,491,125	7.53%	1,394,370	7.66%
Total Revenue	20,141,203	100.00%	21,141,071	100.00%	19,802,276	100.00%	18,214,524	100.00%

Over this time period the amount of most of the categories of revenue anticipated and actually received was exactly the same, except other revenue which included tuition, interest on investments and miscellaneous income. Over the past four years, other revenue underestimates range from a high of \$513,715, or 127.4% in the 1994-95 school year to a low of \$161,863, or 54%, in the 1996-97 school year. The average over the period is \$314,277, or 89.8%. As with estimates of surplus and expenses, these revenue underestimates mean that unnecessary taxes were raised by the district. While interest income has decreased as the surplus balance has been reduced, the review team believes that more accurate estimates of other revenue should be achieved by the district and that surplus amounts should be reasonable.

The actual surplus has declined from \$7.4 million to \$3.5 million from school year 1994-95 to 1996-97. Over this time period, the district applied some of the annual appropriated surplus towards further tax relief and the local tax levy has decreased 13.4%.

Approximately 69% (1996-97) of Pascack's expenses are for salaries. Except during contract renewal years, the district should be able to determine, with reasonable accuracy, the budgeted amount needed for salaries. However, the salary estimate will usually be higher than actual expenditures as a result of resignations, retirements, etc. which may occur after the budget has been adopted. The remaining 31% of the budget is more variable, although budget projections can be determined through the use of multiyear contracts and purchase agreements. A review of actual salary expenditures for a three year period revealed district officials overestimated salaries by an average of \$590,238 a year. The range varied from \$993,288 in 1994-95 to \$256,884 in 1996-97, with more accurate figures for more recent years.

In 1994-95, to fund \$23 million in expenses, the board appropriated \$2.3 million from a \$6.2 million surplus balance, leaving a projected surplus of \$3.9 million (16.9%). According to the CAFR, the district under spent the budget by \$1.1 million, which generated a surplus of \$7.4 million dollars. Therefore, the district's

projected surplus of 16.9% actually became a surplus of 36.6% in 1994-95. For the 1995-96 budget, the board appropriated \$3.4 million from surplus and estimated an end-of-year surplus balance of \$4 million (17.5%), but by the conclusion of the budget year realized a savings of over \$1.1 million dollars. This generated an actual surplus balance of 23% of the actual budget expenses. During the 1996-97 budget, the board estimated a 10.7% surplus, but instead actualized a 16.3% surplus. For the 1997-98 budget year, the board projected a surplus of 6.6%.

The following table illustrates the comparison of budgeted revenues to actual revenues for the school years 1994-95, 1995-96, 1996-97 and 1997-98:

	1994-95			1995-96			1996-97			1997-98
	Budget	Actual	Chg. in %	Budget	Actual	Chg. in %	Budget	Actual	Chg. in %	Budget
Local Tax Levy	18,891,585	18,891,585	none	17,746,897	17,746,897	none	16,358,291	16,358,291	none	16,836,371
Other Revenue	403,220	916,935	127.40%	300,000	564,254	88.08%	300,000	461,863	53.95%	300,000
State Aid	1,332,551	1,332,551	none	1,491,125	1,491,125	none	1,394,370	1,394,370	none	1,441,414
Total Revenue	20,627,356	21,141,071	2.49%	19,538,022	19,802,276	1.35%	18,052,661	18,214,524	0.90%	18,577,785
Total Expense	22,983,307	20,092,655	-12.58%	22,887,866	22,020,235	-3.79%	21,646,769	21,726,589	0.37%	20,577,785
(Over)/Under Expend	(2,355,951)	1,048,416		(3,349,844)	(2,217,959)	33.79%	(3,594,108)	(3,512,065)	2.28%	(2,000,000)
Other Finance Source.		69,141			(69,141)					(171,500)
Surplus or (Deficit)	(2,355,951)	1,117,557		(3,349,844)	(2,287,100)	31.73%	(3,594,108)	(3,512,065)	2.28%	(2,171,500)
Beg. Fund Balance	6,232,635	6,232,635	none	7,350,192	7,350,192	none	5,918,200	5,818,200	-1.69%	3,533,455
Ending Fund Balance	3,876,684	7,350,192	89.60%	4,000,348	5,063,092	26.57%	2,324,092	3,533,455	52.04%	1,361,955
Fund Bal./T. Exp.	16.867%	36.581%		17.478%	22.993%		10.736%	16.263%		6.619%

Recommendations:

1. **The district has made progress in recent years in budgeting more realistic “other revenue” figures. However, based upon the last two years’ actual revenues, the district received an annual average of \$510,000 of “other revenue”. While future interest income may be reduced due to a smaller surplus balance, the team suggests that the district could increase its budget estimate of other revenue by \$100,000 and, therefore, reduce its tax levy by that amount.**

Revenue Enhancement (One-Time): \$100,000

2. **It is recommended that the district develop methods that result in more accurate annual estimates of the budget expenditures and surplus balance. The district should develop a plan to determine how much surplus balance, perhaps 3 to 5 % of budget, should be maintained for cash flow considerations, unanticipated expenditures, emergency building repairs, etc. Obviously, the district should not deplete its surplus balance to such a level as to expose the district to financial harm.**
3. **As an option, the board could consider a capital reserve account as authorized by statute (N.J.S.A. 18A:21-1) to fund any major building repairs which are in need of completion on a short-term basis.**

Facilities

Pascack Valley has four buildings in the district: two high schools and two administration buildings. One school, Pascack Valley High School, was built in 1956 and the other, Pascack Hills High School, was built in 1966. In January, 1996, the district conducted an internal study of both operations and maintenance within the district and used, as a basis, a formula published by the Higher Education Facility Officers entitled *Custodial Staffing Guidelines for Educational Facilities*. The district looked at private contractors and reductions to present staffing at that time and made the recommendation to the board that the district reduce the staff and subcontract the landscaping. The board followed the recommendation to reduce the staff and chose to privatize the landscaping operation. The district also changed the work days of two members of staff at each school in order to reduce the amount of “coverage for events” overtime.

By raising the areas assigned to each custodian to 21,000 square feet for classroom cleaning and 24,000 square feet for public circulation areas, the district could reduce staffing by one custodian in each school. These figures represent acceptable levels of cleaning, based on staffing levels determined by the publication, *Custodial Staffing Guidelines for Educational Facilities*. By reducing the number of custodians it would be in the best interest of the district, due to the age of the buildings, to increase the maintenance staff by one person at each building. The district would have an additional expense of approximately \$5,500.

Recommendation: Eliminate two custodians and replace them with maintenance workers for an added cost of approximately \$11,000.

Value Added Expense: \$11,000

Energy Utilization

The district converted the lighting in one classroom, on a trial basis, in Pascack Hills High School in order to reduce the energy costs found at the high school. The maintenance staff of the high school had done the work and the costs were minimal, at only \$700 for materials. An analysis of the results of the project were:

- Lower energy utilization from 3 amperes to 2.2 amperes (828 kWh per classroom per year to 607 kWh per classroom per year). Annual savings for electricity are about \$26.50 per room. The estimates used in lighting are based upon 12 hours usage, 20 days per month, 10 months per year and 115 volts for each classroom.
- The lighting in the classroom increases by almost 60% from 22 foot candles to at least 35. Current state regulations require 50 foot candles, but since the highest reading was 45, the district should pursue getting a variance from the state.

- There are about 50 classrooms in Pascack Hills in equivalent space (at about 1,000 sq. ft. per classroom). If the district were to pursue this avenue as a method of cost savings and improve the efficiency of the lighting in the building at the same time, the district would have projected costs in the area of \$35,000 but would eventually reap equivalent savings in lighting.
- The district could also price out the retrofit of other energy projects, but options are limited by the building's constructional limitations. Major retrofits would require major reconstruction and disposal costs due to the nature of materials used when the building was constructed.

The district has a building maintenance plan which is annually updated in consultation with the district's architect and the staff of the district. **It is recommended that energy savings measures be rationally incorporated within the plan but, based upon proven engineering savings as contrasted with estimates of time saved or any other dubious performance measures.**

The electric industry in New Jersey is changing rapidly and the district could benefit by the eventual deregulation of bidding its electric consumption much like it did its gas consumption. The district saved \$23,567 in 1996/97 in natural gas costs, a savings of almost 19% compared to purchasing through the public utilities in the area. It is difficult to estimate how much the district could save switching electric companies because legislation is not finalized. The district spent a little over \$200,000 in electric rates in 1996-97. If the district could save at least 10% off current rates, as is common in the gas industry in New Jersey, the district could save about \$20,000.

Recommendations:

- 1. The review team suggests that the district pursue converting all of the classroom lighting in Hills High School to achieve energy savings.**
- 2. The district should continue to investigate savings measures such as bidding out electric rates when permitted. When the legislation is completed, if the district bids out the electric service at 10% savings, the district could save \$20,000 per year.**

Food Service

Food service has been privatized in the Pascack Valley Regional School District for more than twelve years. A food service company provides management services for the food service operation. The Pascack school district has two production kitchens, one in each high school. The contractor serves lunch at both locations and for various special events. In the morning, the student council sells breakfast, such as bagels, muffins and donuts for their fund raising. All income from the sales are used for student activities. Staff can purchase coffee and breakfast in the lunchroom, which is prepared by the contractor.

The food service contract is renewable annually. The district solicits bids for the food management service every three years. The food service company has been the successful bidder since the inception of the private service. Cafeteria staff in the two schools are employed by the contractor. The contractor receives reimbursement for its food services on all direct and indirect costs of the operation from the district and charges a management fee of \$.077 per equivalent meal served. Equivalent meals include a la cart meals, adult meals, special function meals, and children's special milk. Equivalent meal costs are calculated by taking each dollar of income from all food items purchased. This method of calculation and the assessing of management fees to each dollar reflects a larger fee than \$.077 per equivalent meal since the lowest priced meal is \$1.30. If the fee was calculated on a cost per equivalent meal instead of per dollar income, the cost to the district would be \$5,500 less than the fee of \$24,155 which was paid for the school year 1996-97. The contractor guarantees that the food service program will generate a profit. The contract states that if the program operates at a loss, the contractor shall absorb all losses. All money remaining is returned to the district.

According to the CAFR and budget guidelines, if a district receives state and/or federal reimbursement for food service costs or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in an enterprise fund and not in the general fund of the budget. The Pascack Board of Education appropriately records the operation. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises with the intent that the costs of providing goods or services be financed through user charges. The following table illustrates the actual profit and loss for the food service program for the past two years:

Food Services Enterprise Fund		
	1995-96	1996-97
Revenue:		
Federal sources: Special Milk Program	\$2,243	\$1,593
Daily Sales	\$297,567	\$302,306
Special Functions & Others	\$9,938	\$14,178
Total Operating Revenue	\$309,748	\$318,077
Operating Expenses:		
Other Purchased Services	\$307,854	\$306,601
Purchased Professional Services	\$1,000	\$1,200
Supplies and Materials	\$2,547	\$2,663
Depreciation	\$771	\$771
Total Operating Expenses	\$312,172	\$311,235
Net Income (Loss)	\$(2,423)	\$ 6,842

The management company generates a profit every year as stated and guaranteed in their contract. The loss shown in the financial statement is the result of purchased professional services, supplies and materials and depreciation which are expenses incurred by the district.

Pascack Valley School District does not qualify for food service reimbursement because the number of qualified participants is less than five percent of the school enrollment (N.J.A.C. 6:20-9.6). The district is currently paying all the costs for those students who qualify for free or reduced lunch. The district received reimbursement for the milk program. The per meal prices vary in the district and range from \$1.30 to \$2.45.

The district is offering four seatings during lunch time, which are forty-five minutes long. During lunch time, two part-time lunch aides work in each high school. Each aide works 3.75 hours per day and receives no benefits. Their main responsibility is monitoring student behavior. The district pays lunch monitors \$10.45 to \$11.86 per hour in school year 1997-1998. This cost is not included in the total district food service cost. The lunch monitors' salaries (totaling \$32,108) are paid from the general fund and are not recorded in function 260 (Operation and Maintenance of Plant Service).

Recommendations:

- 1. The review team recommends that the district negotiate the fee calculation with the contractor, basing it on the lowest equivalent meal cost which is \$1.30, rather than on each dollar of income.**
Cost Savings: \$5,500

2. **Many school districts assign teachers to supervise students in the cafeteria. LGBR recommends that the district remove the prohibitive language concerning cafeteria supervision by teachers in future negotiations and eliminate two lunch monitors positions.**

Cost Savings: \$15,518

OR

Reduce the number of lunch periods in both schools from four seatings to three, reducing the number of hours worked by the aides from three hours and forty five minutes per day per aid to three hours per day.

Cost Savings: \$5,638

3. **According to the Department of Education budget guidelines, the salary for lunch monitors who work in the lunchroom only should be recorded in function 260 (Operation and Maintenance of Plant Service). If the worker works in the cafeteria serving or preparing lunch, the salary should be recorded in the enterprise fund. Therefore, Pascack Valley's lunch monitors' salaries should be recorded in function 260.**

Special Education

Pascack Valley Regional has an elaborate system of special education services including resource rooms, self-contained classrooms and supplemental instruction programs. There have been efforts to provide as much in-district placement of special education students as is deemed feasible and cost-effective. An example of this is the class for emotionally disturbed high school students at Pascack Hills High School.

In spite of these methodologies, Pascack Valley Regional has experienced a continual upward spiral in classification of special education students while total enrollments for the district remain relatively stable. The 1997 classification rate has increased 1.8% from 1996 to 17.4% which translates to a special education enrollment of 242 of the total enrollment of 1,394. This compares to a 12.4% average of classified students in grades K-8 in the four sending districts.

To further demonstrate the high classification rate found in Pascack Valley, the same criteria were applied to four regional high schools within the same district factor grouping. The classification rate for Pascack Valley was consistently higher for the years examined.

High School Districts	1992	1993	1994	1995	1996
<u>Pascack Valley</u>					
Total Enrollment	1,450	1,404	1,395	1,381	1,421
Spec Ed Enrollment	170	173	213	213	222
Classification Rate	11.7%	12.3%	15.3%	15.4%	15.6%
<u>Northern Valley</u>					
Total Enrollment	1,826	1,820	1,870	1,876	1,932
Spec Ed Enrollment	131	131	146	144	155
Classification Rate	7.2%	7.2%	7.8%	7.7%	8.0%
<u>Ramapo-Indian Hills</u>					
Total Enrollment	1,788	1,819	1,750	1,701	1,702
Spec Ed Enrollment	191	195	226	247	242
Classification Rate	10.7%	10.7%	12.9%	14.5%	14.2%
<u>N. Hunterdon-Voorhees</u>					
Total Enrollment	1,883	1,935	1,904	1,962	2,033
Spec Ed Enrollment	266	284	280	292	289
Classification Rate	14.1%	14.7%	14.7%	14.9%	14.2%
<u>Hanover Parks</u>					
Total Enrollment	1,279	1,252	1,230	1,264	1,300
Spec Ed Enrollment	155	157	153	157	159
Classification Rate	12.1%	12.5%	12.4%	12.4%	12.2%
<u>Average Sending Districts</u>					
Average Total Enrollment	1,694	1,297	1,689	1,701	1,742
Average Spec Ed Enrollment	186	192	201	210	211
Average Classification Rate	11%	11.3%	12%	12.4%	12.1%

Source: New Jersey Department of Education, Special Education Statistical Report

It should be noted that the special education classification rate in Pascack Valley Regional School District increased from 11.7% to 17.4% during the five year period from 1992 to 1997, or an increase of 5.7%. If this trend continues for the next five years, the district will have a classification rate of 23% by the year 2002.

Year	Actual (1992-97)					Projected (1998-2002)					
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Rate	11.7%	12.3%	15.3%	15.4%	15.6%	17.4%	18.5%	19.6%	20.7%	21.8%	23%

There are currently two child study teams reporting to the Supervisor of Special Education. One team operates in each high school and both consist of a psychologist and a social worker. A Learning Disabilities Teacher-Consultant is shared between the two teams. Additional staff and contracted personnel involved in special education related services for each school include five teacher aides, a school physician, and 1/10th full time equivalency of an Occupational Therapist and a Physical Therapist.

Of the 242 classified students, 164 are classified as Perceptually Impaired. Of the remaining 78 students, 55 are out-of-district placements in both public and private educational institutions. Students are usually sent out-of-district due to the nature and extent of their disability, in full recognition that parents are "partners" with the school district in the placement process. The Special Services Director made note of a trend whereby civil court cases have been adjudicated to include private out-of-state residential placement which the school district is obligated to provide. In Pascack Valley, two such cases were taken over including semi-regular transportation to and from the placement for family members, the Special Services supervisor and a staff member.

Utilizing statistics based on the 1996-97 CAFR Report, Pascack Valley has the second highest expenditures of \$1,004,131 in special education instruction and thus the second highest per special education student instruction rate when compared to the other four regional high school districts.

	Pascack Valley	Northern Valley	Ramapo Indian Hill	N. Hunterdon Voorhees	Hanover Park
Special Ed					
Instruction	\$1,004,131	\$425,569	\$988,244	\$1,422,676	\$546,946
At Pascack Valley's					
Enrollment	\$1,004,141	\$609,525	\$906,571	\$1,092,851	\$763,660
Instruction Cost					
Per Student	\$ 4,523	\$ 2,746	\$ 4,084	\$ 4,923	\$ 3,440

If the same statistical analysis is applied to instruction plus special education expenditures for out-of-district instruction, support services and transportation, Pascack Valley has the third highest total special education expenditure of \$2,551,245. The total expenditure translates into the third highest instruction cost per special education student rate among the five regional high school districts.

	Pascack Valley	Northern Valley	Ramapo Indian Hill	N. Hunterdon Voorhees	Hanover Park
Special Ed					
Undistributed					
Expend-Instruct	\$ 684,966	\$ 590,836	\$ 539,463	\$1,122,435	\$ 810,951
Support Services	\$ 541,953	\$ 412,917	\$ 434,233	\$ 430,295	\$ 326,574
Transportation	\$ 320,195	\$ 162,695	\$ 189,871	\$ 552,356	\$ 180,859
Total Spec Ed	\$2,551,245	\$1,592,019	\$2,151,811	\$3,527,762	\$1,865,330
At Pascack Valley's					
Enrollment	\$2,551,245	\$2,280,182	\$1,973,975	\$2,709,907	\$2,604,423
Instruct Cost Per					
Spec Ed Student	\$ 11,492	\$ 10,271	\$ 8,892	\$ 12,207	\$ 11,732

Recommendations:

- In an effort to modify the upward trend in the number of special education classifications and resulting increased special education costs, it is recommended that the classification rate (15.6% in 1996) be reduced in the near future to the average classification rate of similar DFG regional high school districts, which was 12.1% in 1996. In particular, the number of students classified as perceptually**

handicapped (PI) is very high. The special education enrollment could gradually be decreased over several years from 222 to 176 (using 1996-97 enrollment figures of 1,421). Utilizing special education instruction costs only, savings of \$189,966 would be achieved.

Cost Savings: \$189,966

2. It is suggested that Pascack Valley continue to carefully scrutinize and utilize all resources within the district prior to committing to outside educational centers, resulting in major tuition and transportation expenses.
3. The Supervisor of Special Education has mentioned the establishment of a vocation and academic program for parallel life skills within the district. The review team strongly encourages that the district follow through on this initiative as a means of controlling the escalating out-of-district tuition and transportation costs. From district experience in establishing the ED class in Pascack Hills High School, the district can expect a savings of about \$100,000 per class.

Cost Savings: \$100,000
4. Finally, as an example of achievable cost savings, a computerized routing and scheduling system has been recommended for the transportation coordinator in the Board Secretary's office. In planning for such a system, it is further recommended that the special education and handicapped areas (Region II) have access to similar transportation coordination. The district should explore the feasibility of unifying the Region II and district transportation routing under one coordinator or supervisor.

Guidance

The guidance program at the Pascack Valley Schools operates under the direction of the District Director of Guidance. There are 3.5 counselors serving the students at Pascack Valley, and 3 at Pascack Hills. The New Jersey Department of Education's Comprehensive Plan for Educational Improvement and Financing recommends one counselor for every 225 high school students. The Pascack Valley School District's guidance staff/student ratio is basically in line with these recommendations. At the Pascack Valley School, on average there are 220 students per full-time counselor, and 100 for the half-time counselor. The Director currently maintains a small caseload of 42 students at Pascack Valley as well, a recent change brought about, partly due to an upswing in enrollment, and the philosophy of the administration that all staff have some direct contact with the students. At Pascack Hills, each counselor serves approximately 200 students each.

The guidance program offers many services to its students, ensuring that problems are identified and addressed, that students are afforded an opportunity to examine their interests and aptitudes, and that optimum higher education and career planning is provided to each student. Parents are actively involved with the students' academic planning throughout the

students' enrollment within the district. Various informational and counseling programs are provided to small groups of students, as well as individually as required, to ensure that each student's needs are met.

The district also employs a full-time Student Assistance Counselor (SAC) at Pascack Valley who serves as the Regional Substance Awareness Coordinator, as well. There is also a half-time SAC located at Pascack Hills. These counselors provide services to students demonstrating "at risk" behaviors, such as eating disorders, drug or alcohol use, etc. The SACs handle approximately 85-100 cases at Pascack Valley, and 80 at Pascack Hills per year. Each case is handled on an individual basis. Some are managed entirely within the school; others are referred to outside providers, e.g., private physicians, and out-patient and residential treatment centers. The counselors interviewed commented that both the school administration and the board are very "pro-student," and are, therefore, supportive of efforts to assist the students in overcoming their problem behaviors.

A Core Team has been established at each school to provide "early identification and intervention for students who exhibit 'at risk' behaviors which may affect their academic, social and/or emotional functioning". The teams are comprised of eight to ten members, including the Principal, the District Director of Guidance, two Guidance Counselors, the SAC, the School Nurse and others, all of whom have been specially trained to serve in this role. The Team meets weekly, or as needed, to review each referred student's progress, and to develop appropriate plans to assist the student with individual problems.

Each school employs 1.5 clerical support staff for the guidance office. The .5 staff are responsible only to process college applications for the students, and to answer phones. The full-time clericals must support the counselors as much as possible with all the other record-keeping and office duties. It was noted by some of the counselors interviewed that a lot of their time is spent doing clerical work, and, hence, they would like more clerical assistance.

Finding: The Pascack Valley Regional School District's guidance program serves its students well, by helping them to identify and examine their aptitudes, interests and needs, and helping them to make appropriate educational, occupational and personal decisions to realize their full potential. Counselor to student ratios are in accordance with state guidelines.

Health Services

Each of the Pascack Valley Regional High Schools is staffed with one full-time certified school nurse. Neither has clerical support, and both report to the respective school Principals. The duties of the nurses include: administering medication and first aid, conducting in-service staff training, serving as a guest instructor on specific health topics, assisting students with self-management of chronic illnesses, completing some physicals, serving as a member of the CORE Early Intervention and the Child Study Teams. It was pointed out to the review team that, increasingly, many of the children in the district do not

have medical coverage. The school nurse, therefore, often performs an initial assessment of the students to ascertain whether a visit to a family physician, which may be costly, is necessary.

On average, approximately 35-40 students are treated in each Health Office daily. Pascack Valley Regional measures up well against the comparative districts for health services costs. In the 1996-97 school year it was the second lowest of the five districts, having spent approximately \$91 per student.

Much of the maintenance of data formerly recorded manually has been computerized recently and monthly reports have been standardized between the schools. Nevertheless, record-keeping and other clerical duties remain time-consuming. With no clerical support, the nurses must perform these tasks. In the latest Middle States Association of Colleges and Secondary Schools Report, it was recommended that additional clerical assistance be provided to the Health Services Office. Although students excused from physical education are sometimes used to assist with some filing, etc., a lot of the information is confidential, and should not be handled by the students. It was even proposed that parent volunteers be enlisted to assist, but for the same issue of confidentiality, this was not pursued. The Attendance Officer at each school is physically located, for part of each day, in the nurse's office, but the related duties are only to relieve the nurse for breaks and help with the phones.

N.J.S.A. 18A:40-1 requires each school district to employ a physician to serve as the school's medical inspector. Accordingly, Pascack Valley's Board of Education has appointed a physician for an annual fee of \$5,200 in the 1996-97 school year. There is no contract in place delineating the physician's responsibilities, although a job description dated 1983 was provided to the review team. This job description apparently contains many inaccuracies as it reflects duties the physician does not perform, as well as omits responsibilities he should, specifically with regard to annual standing orders. Although the job description states that the physician is responsible for wrestling weigh-ins, for instance, this service was, in fact, provided by another physician at an additional cost of \$100 to the district. The job description also states that the school physician is to attend home varsity football games, or provide (which infers at his cost) a substitute if he is unable to attend. He does neither, but rather this service is also provided through other physicians at an additional cost of \$500 to the district.

Recommendations:

- 1. The district should consider reassigning existing clerical support, even if part time, to the Health Services offices to enable the nurses to provide more direct services to the student population, e.g., teaching, counseling, etc. The nurses' time can be better spent providing direct care to the students and attending to those record-keeping matters which truly require a certified nurse's handling.**
- 2. A formal written agreement between the district and the school physician should be developed. The specific services the medical inspector is expected to perform for the annual fee should be delineated and a not-to-exceed amount should be included. The board should also consider negotiating with the current physician, or seek proposals from others, to include services which are apparently not currently included under the annual fee, e.g., attending varsity football games and performing wrestling weight certifications. As an alternative, the board may want to enter into an agreement for the medical inspector services whereby it pays only for services rendered, beyond a minimal retainer fee, which should include some basic services, e.g., reviewing medical examination reports submitted by students' personal physicians for sports participation.**

Library/Media Center

The Library and Media Centers serve the Pascack Valley school community utilizing new and emerging technologies. Many changes have taken place due to the Five Year Technology Plan which was developed and implemented during the 1993-94 school year. As the plan moved through its various phases, upgrades were made to hardware, CD-ROM programs were purchased, Internet connections were added, and linkages were established with the alternate high school (Valley-Hills). Final implementation of the plan established

linkages with the Bergen Electronic Library System (BELS) and the Bergen County Cooperative Library System (BCCLS).

This effort is being further enhanced through the establishment of the Pascack Valley Region Consortium. Through integration of the four sending districts, the development, implementation and systematic assessment of common goals can more readily take place. One such effort is the region's participation in the New Jersey Network for Education Renewal under the auspices of Montclair State University. Termed the "Institute for Critical Thinking", it will facilitate an analysis of existing strengths and weaknesses in the Pascack Valley system and suggest strategies to capitalize on existing strengths.

As a result of these endeavors, the district has been able to maximize resources through the expansion of library resources in specialized areas. Areas of concentration are split between Pascack Hills and Pascack Valley, allowing for a larger collection and enhancement of holdings. Additional copies of books can be located and delivery arranged using the BELS and BCCLS system. The library staff also works closely with supervisors and teachers to coordinate book purchases in order to correspond to existing curriculum. Finally, a district hardware and software acquisition policy provides guidance prior to acquisition of materials.

The Internet access has helped the library diversify its budget for Supplies and Materials through access of databases and research materials via online. The library has further enhanced instruction in database searching skills to students and staff using CD-ROM's, BELS Electronic Library and the Internet.

Findings: The Library is serving an exemplary function through utilization of electronic databases and research materials online. This finding is further underscored by the linkages with other library systems and Montclair State University.

Athletics and Extra-Curricular Activities

According to the Department of Education's March, 1997 Comparative Spending Guide, Pascack Valley Regional School District ranked 35th among the 49 districts of its operating type (7-12 / 9-12) throughout the State for extra-curricular spending in the 1995-96 and 1996-97 school years. Included within this indicator are costs for board sponsored athletics and cocurricular activities such as entertainment, publications, clubs, band, and orchestra. It includes stipends for advisors, fees paid for sports physicals and officials, equipment, and supplies related to these activities. Pascack's costs for extracurricular activities are 17% higher than the average cost for regional high school districts. Compared to the four comparative districts with the same DFG, Pascack ranks second lowest of the five.

Athletics

Pascack Valley School District maintains two separate athletics programs for the individual high schools. Each school employs its own Athletic Director, who teaches two Social Studies classes per day. In accordance with Article IX of the 1996-1999 negotiated agreement between the Pascack Valley Regional High School's Board of Education and the Education Association, the Athletic Directors are compensated at a certain percentage above the teachers' schedule based upon the number of years they have held the position. Because each of these individuals had been Director for more than two years at the time of this report, this amounted to 10.4% above their teacher's salary. In addition to their responsibilities of overseeing the schools' athletic programs, they are responsible for scheduling the required associated bus transportation. They do not supervise the coaches, although they do the hiring and have input into the coach's evaluations, which are the responsibility of the School Principals.

There are a total of 21 different athletic programs offered at Pascack Valley, and 20 at Pascack Hills (there is no Dance Team at Pascack Hills). For some sports, three levels of teams are maintained, i.e., Varsity, Junior Varsity, and Freshmen, but for others there are insufficient numbers of participants to warrant the three levels. Overall, Pascack Valley maintains a well-rounded athletics program. At the time of this report, participation in all sports activities appears sufficient to warrant continuation.

The athletic programs at the schools were depicted somewhat differently to the review team by the two Directors. At Pascack Hills, due to declining enrollment, the athletics programs are becoming less competitive. According to the Athletic Director, they are losing students to more athletically competitive private schools; in 1996-97, 40 students reportedly went to private schools rather than Pascack Hills. In addition, the redistricting which resulted in the Hillsdale students' transfer to Pascack Valley, also negatively impacted Pascack Hills' athletic programs. Due to their relatively poor athletic standings, Pascack Hills often cannot attract the more qualified coaches. Nevertheless, student participation is high: approximately 60% of the student population participates in one or more sports activities. Pascack Hills does not have sufficient outdoor facility space to accommodate all their programs, so they use municipal fields for some. For instance, softball may be played on a municipal field while baseball is being played on the school's field.

On the other hand, the Athletic Director at Pascack Valley reports that they *are* competitive, lose fewer students to private schools (12 last year), and have no problem attracting qualified coaches and students. There is a 70% participation rate among Pascack Valley's students. That school, unlike Pascack Hills, does have sufficient outdoor space on the school grounds for all athletic programs.

Funding for equipment and required services is appropriated through the budget process for which the Athletic Directors provide input. Both schools also conduct fund-raising activities for the "extras," e.g., warm-up suits. There are vending machines located in the gym area, from which the schools receive a certain percentage of the revenue, which also helps them procure extra items, such as a scoreboard.

The athletic program costs include fees for athletic trainer services. The schools maintain a written agreement with a private sports medicine vendor for these services, which includes the prevention, care, and rehabilitation of the injuries incurred by the athletes at the two schools. In accordance with this agreement, for the 1996-97 school year, the trainers were paid \$32,000. For this fee, one trainer was provided to each school

for four hours per day (24 hours per week) “to cover practices, home athletic contests and all varsity football games (home and away)”. The Athletic Directors indicated a high degree of satisfaction with the current trainers. It was reported to the review team that requests for proposals are not sought for the athletic trainers, which may be due to the district’s satisfaction with the services they are receiving. However, a call to one of the comparative school districts revealed that a neighboring district, with higher enrollment, has contracted with a trainer for \$13,000 for one of its two high schools, and half that at the other, where it has a certified trainer on staff.

Extra-Curricular Activities

Approximately 26 extra-curricular clubs are available to the students in each school. Advisors to these clubs and organizations are paid a stipend as reflected in the teachers’ contract. There are three levels of stipends paid for each position, based upon the number of years the individual has held it. Transportation for co/extra-curricular trips is scheduled by a custodial worker at each school. The participation numbers reviewed by the team appear to warrant continuation of all programs, which are varied and offer enrichment to all who wish to join.

Athletic/Extra-Curricular Transportation

A separate item, not reflected within the athletic and extra-curricular activity costs referenced above, is the associated transportation costs, which are significant and warrant a closer look. For the 1996-97 school year, the district spent approximately \$132,000 for athletic and co/extra-curricular transportation. The district maintains a contract with a bus company for transportation for these activities. The minimum per bus cost for each trip in the 1996-97 period was \$181.20 for round trips not exceeding four hours, and \$48 for each hour thereafter. The maximum cost noted during this period for one bus was \$685.20. The number of buses deployed daily for these activities within the district varied from 0 to 13; on 194 days at least one bus was used. As the team reviewed the detailed purchase orders for these trips, some apparently unnecessarily excessive costs were noted. This occurred in one instance where the bus was required to drop the students off at a nearby location and pick them up much later in the day, but the bus waited at the location, and the district was charged for the entire duration. Several other examples of inefficiencies follow:

1. The Student Council from one of the district’s schools was transported to and from the other district school (a distance of a few miles) at a cost of \$325.20.
2. Two instances were noted where the Debate Team from one of the district’s schools was transported to and from the other school at a cost of \$301.20 for each trip.
3. Students from one school were transported to another school approximately seven miles away for an academic decathlon at a cost of \$457.20.

The contract with the vendor stipulates that notification of cancellation of a trip must occur at least one hour prior to the expected arrival time of the bus. There were 11 cases noted in the 1996-97 school year where ample notice time apparently was not given, for which the district was charged approximately \$1,000 (\$90.60 each).

Recommendations:

1. **The review team recommends that the district seek proposals or negotiate with its current provider for athletic trainer services to secure a lower fee. Based upon fees paid by a comparative school district, an annual savings of \$6,000 is achievable.**
2. **The review team recommends that the district purchase one bus to provide transportation for some athletic, co/extra-curricular activities for several reasons. First, this will result in direct cost savings, as detailed below. Second, it may result in additional, though less direct, savings in another way. The State of N.J. Commission of Investigation’s December, 1997 Advisory on School Transportation recommended that school districts possess some measure of their own transportation. While providing an alternative, cost-effective means of transportation, the**

Commission believes this practice will also serve to notify bidders that they are not the only option, and, hence, bids may be more reasonably priced. Concessions may also be negotiated with the contractor. While not always fruitful due to cost efficiencies often available through privatization, the purchase of just one bus initially would give the district an opportunity to evaluate the effectiveness of providing its own transportation; if it proves beneficial, the district may want to consider expanding the operation and, subsequently, purchase additional buses. The costs of purchasing and maintaining one bus over a twelve year period, which is the average useful life of a school bus, are as follows:

<u>Annual Costs (First Five Years)</u>	
Lease/Purchase (\$59,000 bus)	\$13,350
Part-time Driver's Salary and Statutory Benefits	\$12,000
Insurance	\$2,000
Maintenance and Fuel	\$2,000
TOTAL ESTIMATED ANNUAL COST	\$29,350

<u>Annual Costs (Year Six - Twelve)</u>	
Part-time Driver's Salary and Statutory Benefits	\$12,000
Insurance	\$2,000
Maintenance and Fuel	\$2,000
TOTAL ESTIMATED ANNUAL COST	\$16,000

As noted above, on 194 days within the 1996-97 school year at least one bus was required by the district. At the minimum cost of \$181.20 per trip, the district paid at least \$35,150 for these 194 trips. Based upon these figures, the estimated savings to the district would be as follows:

- For each of the first five years - \$5,800
- For each of the subsequent six or more years - \$19,150

The following are other options the district may wish to explore with regard to "extra-curricular" transportation:

- The Hillsdale School District owns several buses, which may be available to provide some transportation services to Pascack Valley, particularly after school hours and on Saturdays. A fee Schedule can be drawn up between the two districts, which can prove beneficial to both: Hillsdale can receive some additional revenue, and Pascack can certainly pay lower fees than those currently paid to the private vendor.
- In addition, the district can look to consolidate some of the athletic and extra-curricular transportation, to possibly combine groups, either from within each individual school or between the two, on to one bus. There is little, if any, coordination currently done among trips; the two Athletic Directors and two custodial workers at the schools arrange transportation independent of one another.
- The schools should ensure that every possible effort is made to provide ample notification to the bus company to avoid unnecessary charges for canceled trips. These charges could be avoided completely if the district owned the bus for a savings of \$1,000.

- Finally, while the bus company cannot be expected to drop off students and return later to pick them up when any significant distance is involved or if the trips are of relatively short duration, in those instances where the destination is nearby, and the trip will last more than four hours, the district should negotiate with the bus company for the minimum rate.

Total Savings: \$12,800

Transportation

Pascack Valley Regional High School provides transportation services to students in the four sending districts as follows: Hillsdale and River Vale to Pascack Valley High School, and Montvale and Woodcliff Lake to Pascack Hills High School. All transported students reside 2.5 miles or more from their school and there is no courtesy bussing offered. The total cost for these routes is \$332,750.

There are currently 11 bus routes which are contracted out to private vendors and provide transportation to 694 high school students. All of the contracts began in school year 1990-91 with variable renewal periods and an overall expense increase through school year 1997-98 of 13%. Based upon the independent auditor's report and Department of Education report, the transportation related expenditures were as follows:

Student Transportation Services (between Home and School)	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Approp
Salaries for Pupil Transportation	\$29,686	\$31,222	\$34,519	\$36,049
Contracted Services - Vendors	\$461,626	\$469,027	\$418,283	\$465,607
Total Transportation Services (between Home and School)	\$491,312	\$500,249	\$452,80	\$501,656

The review team observed the transportation operation both in the morning and afternoon, tracked bus routes, interviewed individuals knowledgeable about the program and analyzed bus rosters. We observed primarily Type I buses (54 passenger) with some minor utilization of Type II buses (16 passenger). It is the contention of the team that every route was significantly underutilized.

The number of students from the two Regional High Schools using the buses to go to school on the days observed ranged from four to 14 students. The number utilizing the buses to go home ranged from eight to 18 students with an average route completion time of 13 minutes. [Incoming routes were observed upon arrival at the respective high schools only. An average route completion time is thus not available.]

The private school routes similarly were not fully utilized. Although every route was not observed, the two routes to Bergen Catholic did not exceed 22 students on the morning or afternoon runs.

Total Eligible Students Transported		
School Year	Public School	Private/Parochial School
1994-95	459	155
1995-96	474	161
1996-97	477	183
1997-98	497	168

There have been a number of reports addressing school transportation at the state level. In response to the 1996 school funding law, the Department of Education has issued a report which outlines new standards for efficiency. The New Jersey State Commission of Investigation similarly issued findings and recommendations stemming from an investigation of the school transportation industry.

A New Jersey Department of Education recommendation, with specific application to Pascack Valley, is the operation of bus systems at 120 percent capacity. Based upon the number of students observed riding the buses and current routes in operations, this is a reasonable estimate.

Recommendation: It is suggested that Pascack Valley design routes with multiple destinations in order to increase their current level of utilization and overall efficiency. This could be accomplished by mixing public and nonpublic school students on the same route and eliminating two routes to Bergen Catholic and two routes to Immaculate Heart Academy at a savings of \$99,500.

In addition, due to the geographic proximity of certain routes, it is recommended that additional routes be consolidated. This would result in two additional routes being eliminated; one from both Pascack Hills and one from Pascack Valley. At present, parking on school property is limited to seniors in good standing and permits are issued to eligible students upon application. This “seniors only” policy should be expanded to include all students eligible to drive. Upon eligibility and issuance of permits, bus riding privileges should be forfeited, thereby further reducing the number of students riding buses.

The district should explore the feasibility of developing bidding specification for transportation routes in conjunction with the four elementary districts to achieve savings and to improve efficiency in all affected districts.

Although the district conducted a review of the transportation routes and eliminated two routes during the 1995-96 school year, additional efforts must be made to combine routes wherever possible.

Cost Savings: \$99,500

History of Regionalization

In an endeavor to obtain the facts regarding the pros and cons of establishing a preK-12 all- purpose regional school district, the five boards of education, in September, 1991, jointly contracted Guidelines Inc., Huntington, NY, to conduct “An Informal Regionalization Feasibility Study”. Copies of the “Report” and “Executive Summary” were distributed to all board members in late April, 1992.

In considering the possible merger of the four elementary school districts and the high school regional district into one preK-12 district, Guidelines Inc. expressed the view that the high school program would be better served if it was offered in one building. The consultants suggested a grade level configuration of preK-4, 5-8, 9-12, with Pascack Hills becoming the middle school and Pascack Valley, with an addition to the building, serving high school students. Two existing middle schools were to be closed. Under the proposed merger, a larger number of middle and high school students would have to be transported to school and there would be different administrative, supervisory, business management and teacher staffing needs. There were anticipated cost savings by eliminating some staff positions; however, these would be reduced considerably by adding other staff and by the need to merge the employee contracts of the five school districts into one unified contract. The projected preK-12 regional budget was based on “best estimates” for the cost of expanding the Pascack Valley High School, the revenue from the possible sale of one middle school, and one-third the cost of a three year projection to merge existing employee bargaining unit contracts. The three principal findings were summarized as follows:

Findings of the Report-

1. “..Regionalization would facilitate some refinement in existing programs that might not be achievable under the current structure.
2. While a regionalized district could effect some economies, they would be offset by other newly incurred costs (e.g. transportation). The total cost of a projected 1991-92 budget for a regionalized preK-12 district is \$507,000 greater than the aggregate cost of the current five 1991-92 district budgets.
3. If a prek-12 all-purpose regional school district was established, two boroughs would see a significant increase in their tax rates, and two boroughs would see a significant property tax rate decrease.”¹

In July, 1995, Ernest C. Reock, Jr. from Rutgers, the State University of New Jersey presented “ A Plan for School District Consolidation in New Jersey”. The study concluded that New Jersey’s more than 600 local school districts are among the smallest in the country, having an average less than 1,800 students compared with a national average of more than 2,600. The proposed plan would be implemented by two steps:

1. Informal Regionalization Feasibility Study, Executive Summary by Elliot Solomon, May, 1992.

“1) Each limited purpose regional high school district would become an all purpose K-12 school district.”
“2) Each district which now is the principal receiving district for secondary districts sent from small elementary districts on a tuition basis would become the nucleus of a new K-12 regional school district including those sending districts.”²

The result of these two steps would be to reduce the number of local school districts in New Jersey by more than half. The paper projects an annual saving of more than \$32 million in 1990-91 dollars in district administrative costs, and it suggests a potential future saving of \$200+ million in overall costs. The plan would reduce the disparities among school districts in the amount of locally taxable property per pupil and it would help to equalize local school tax rates.

In June, 1996, the Superintendents of Schools for five districts in the Pascack Valley (Hillsdale, Montvale, River Vale, Woodcliff Lake and Pascack Regional) jointly proposed that their Boards of Education thoroughly investigate the benefits of dissolving the existing districts and establishing two K-12 school districts. The possible new districts would pair Hillsdale and River Vale as one K-12 system with Pascack Valley High School as the secondary school building, and Montvale and Woodcliff Lake combined as the second K-12 system with Pascack Hills High School as the secondary school. The study was not completed as the River Vale Board of Education declined to participate.

Recommendation: While regionalization is not always the best alternative for any given school district at any particular point in time, for a variety of reasons, we strongly encourage all local officials to continually monitor the potential benefits of such an action. Circumstances change over time and though the 1992 report did not suggest regionalization was the best option, this matter should be debated again as officials from each of the districts except River Vale attempted to do. Since Pascack Valley Regional High School District and the four “feeding” elementary school districts have respective pupil enrollments which are below both the New Jersey and national averages, local efforts should continue to identify a preK-12 organizational arrangement which would maintain and perhaps enhance the quality of educational services, result in increased efficiencies and cost savings, and be acceptable to a majority of local citizens in the respective communities.

Recommendation: Pascack Valley Regional High School District has excess building capacity in Pascack Hills High School of about 300 students. In the absence of further regionalization, the District could achieve significant cost effectiveness by contracting with another school district to educate their high school youth on a sending/receiving relationship, resulting in a high school of about 900 students. With tuition in excess of \$12,000 per student, 300 additional students from a sending district would gross over \$3.6 million dollars in revenue. Conservatively, if one third of the tuition students’ course selections would fit under class size policy guidelines in existing class enrollments, the net savings potentially could be as much as \$1.2 million. The actual savings may be somewhat lower depending upon the salary levels of any teachers acquired from the sending district.

Recommendation: Pascack Valley Regional High School District student enrollments have experienced a significant decline during the past decade. More recently enrollments have either stabilized or in some years increased slightly. At the present time neither high school has the capacity to accommodate the total student body in one building, without the construction of additional classrooms. Future direction for the district will depend heavily upon future student enrollment trends. Any further decline in high school enrollments reduces the cost effectiveness of the District. District enrollments are affected by many factors, such as the number of elementary school district “graduates”, private and parochial school enrollments, attendance at Bergen County educational institutions, and out-of-district student placements, etc. Pascack Regional School enrollment projections need to be updated annually, actual student enrollments should be monitored regularly and staffing and programmatic adjustments should be made promptly to maintain reasonable cost effectiveness, as well as meet student needs.

2. A Plan for School District Consolidation in New Jersey, Occasional Paper Series #4, Center for Government Services at Rutgers, The State University of New Jersey, by Ernest C. Reock, Jr., July, 1995.

SHARED SERVICES

Business Management Software - The Pascack Valley Regional High School District is a participating member of the EMC School Consortium Software, which is a collaborative effort of 80+ school districts to develop and maintain cost effective accounting and payroll software.

Energy - Beginning with the 1996-97 school year, the regional district entered into an agreement with other districts to implement a program for the joint purchase of natural gas, with an estimated savings of about \$23,500 in the first year.

Gasoline - The regional district removed gas and oil tanks prior to the implementation of costly new federal regulations. The Borough of Park Ridge now purchases gasoline at bulk discount and services the regional district and the local municipalities at cost.

Paving - During the summer of 1997, regional district officials reached an agreement with the governing body in Hillsdale to coordinate an existing municipal road paving project with a district paving project at Pascack Valley High School. Tonnage allowances within the contract awarded by the municipality to the lowest bidder produced estimated savings of \$8370 for the regional district. The district used this cooperative arrangement to complete paving as part of its Five-Year Maintenance Plan.

Recreation - For a number of years municipal and district athletic facilities have been scheduled for joint use to serve the recreation needs of the community and the scholastic athletic program at both high schools. The district and municipalities work cooperatively to maintain the fields and share the costs of their upkeep.

Joint Insurance Fund - The regional district was a founding member and part of the feasibility study that resulted in the formation of the first New Jersey School Health Insurance Fund. An agreement was reached between the board and education association to work cooperatively to transition from the New Jersey State Health Benefits Program to the North Jersey Insurance Fund. The board has recently identified a new preferred provider organization (PPO) option known as the Pascack Select Plan which will be presented at negotiations as the board's basic coverage plan for all district employees.

Region II - Special Education - The regional district serves as the Local Education Agency for the Region II Council for Special Education. Through a series of joint purchase agreements, the services of transportation, occupational and physical therapy, speech correction, self-contained classes, teacher supervision and staff development are provided for the seven participating districts. Each local district is asked to provide specific special education functions which are coordinated by the Region II Director, with an estimated overall savings of about \$200,000.

Recommendation: The regional district should be commended for the initiatives which have been taken toward cost effective shared services. It is suggested that a committee be established to further develop shared services with 1) other school districts and 2) municipal governments. Opportunities for additional shared services and joint savings include: 1) computer technology, training and maintenance, 2) joint purchasing, 3) sharing of equipment, 4) snow plowing/sanding and salting, 5) lawn and field maintenance, 6) building maintenance, 7) vehicle repair and maintenance, and 8) transportation. Also, cooperative agreements could be developed for municipal and school administrative support services, such as insurance and risk management, benefits administration, payroll processing, printing and copying, and processing of purchase order and payment authorizations. Shared services and cooperative agreements should be items for discussions in periodic meetings with municipal and school officials.

STATUTORY AND REGULATORY REFORM

This final section of the review document, Statutory and Regulatory Reform, attempts to identify those areas where existing State regulations or statutory mandates are represented by the district as having an adverse effect on efficient and cost effective local operations. In some respects local school districts are highly regulated by both statute and state regulations and, in other respects, there remain options for local decision-making. It is common for local officials to comment on large amounts of paperwork associated with state and federal regulation and to blame high costs and increased taxes on “State mandates”. Each review team is charged with eliciting from local officials those regulations that may have this negative impact. The findings summarized below will be presented by LGBR staff to the appropriate state agency for the purpose of initiating constructive change.

Regionalization

In New Jersey, we have 21 counties, 566 municipalities and 618 school districts, including 67 districts with less than 300 students in enrollment and 24 “non-operating” districts with no students. The State is relatively compact, with many areas of dense population, yet many small municipalities, in both geography and population, exist side-by-side with redundant buildings, equipment, staffing and services. Most municipal and school organizational structures exist due to historical boundaries and tradition. The appropriate size of governmental or educational organization remains a matter for continuing study and debate, as there are disadvantages to governmental remoteness associated with large size, just as there are advantages to economies of scale. However, it is apparent that New Jersey has a large number of very small municipal and school organizations which could provide better services, become more operationally efficient and serve as more equitable taxing agencies by being combined into reasonably sized units.

There have been twelve studies/proposals for public school regionalization in New Jersey over three decades. In July, 1995, Ernest C. Reoch, Jr. from Rutgers, the State University of New Jersey presented “A Plan for School District Consolidation in New Jersey”. The study concluded that New Jersey’s more than 600 local school districts are among the smallest in the country, having an average less than 1,800 students compared with a national average of more than 2,600. Despite continuing discussion and study, there has been surprisingly little consolidation of school districts in New Jersey during the past two decades and, in fact, some regional school districts have been dissolved.

There are a number of impediments to school regionalization in addition to inertia and tradition. New Jersey residents, particularly in smaller communities, value “local control”. Residents generally identify with their respective communities and remain loyal to their perceptions of local interests. Some parents fear losing proximity to and control of their neighborhood school, particularly at the elementary school level. Individual municipalities have varying levels of per pupil property values and numbers of children to be educated. Whenever consolidation is proposed, the more wealthy communities are reluctant to share their property wealth by paying higher property taxes, i.e., a uniform regional school tax rate. It is a difficult and complex process to negotiate an acceptable agreement regarding financing a proposed regional district on the basis of property values and/or per pupil enrollment by community. Of course, the referendum for approval of a regional district requires a favorable vote in each participating municipality rather than a simple majority vote of all the voters in the communities involved. Consequently, in New Jersey, there are only 49 regional school districts which were generally created at a time when there were state financial incentives.

Pascack Valley Regional High School District is an example of a successful regionalized district at the high school level. However, with declining student enrollments over the past decade, proposals have been made to organize the high school and four “feeding” elementary school districts as either one or two pre-K-12 regional districts, by reducing from the current five to one or two school districts. Unfortunately, State statutes and regulations at the current time do not provide any incentives for such consolidations. In addition, there is no “fail-safe” mechanism to compensate a community during a transition period when the community is required to pay higher school property taxes as the result of school regionalization. Also, there is the impediment of assuming debt for past school construction for communities making up regional districts.

LGBR believes that consolidation of small municipal governments would provide larger and more equitable taxing bases and somewhat reduce the disparities in property wealth among communities which often prevent or complicate the adoption of school regionalization proposals. Therefore, combining municipalities into larger units would resolve some of the problems of school regionalization. It would also reduce some of the tensions/conflicts which currently exist in regional districts due to divided citizen loyalties relative to the respective local communities versus the larger and more “remote” regional school district.

While sharing services among municipal and school organizations is a commendable interim step toward economy and operating efficiency, it does not address many of the issues associated with insufficiently sized organizations. Municipal and school regionalization and consolidation will most likely occur when the State provides a statutory, regulatory, and financial environment which encourages more efficiently sized public organizational units.

There are at least five avenues of approach for the state in regard to regionalization issues. The state can: 1) mandate the joining of municipalities and/or school districts, 2) establish workable financial incentives to encourage voluntary regionalization at the local level, 3) make the process of regionalization easier to accomplish (and perhaps more difficult to dissolve) through statutory and regulatory improvements, 4) engage in a program of education, public relations, etc. to encourage action at the local level, and/or 5) maintain the status quo.

Recommendation: LGBR has, since its inception in July, 1994, been working with other state officials on the changes that would be necessary to bring about greater incentives and fewer obstacles for consolidation. We believe that options two - four provide the greatest opportunities for consolidation and, ultimately, for significant tax burden relief.

Financial Incentives It is suggested that the State set aside a reasonable sum of money each year to serve as an incentive for municipal/school regionalization. Criteria should be established to identify the local agencies which are eligible to apply for funding for regionalization during a transition period of perhaps five to ten years after regionalization. The amount of the grant should be designed to buffer any increased taxes/costs which would otherwise impede regionalization and that amount would be reduced each year on a regular basis, to be phased out at the end of the period after property tax values have been stabilized. The criteria for selection should include population, geographic, financial, and taxation parameters, and any other factors, such as grade organization in school districts, which are deemed appropriate. Appropriate targeted state financial incentives would allow local citizens to enjoy the property tax benefits of any efficiencies resulting from regionalization.

Regionalization Procedures Efforts should be made to make the regionalization process “user friendly” and to remove any potential impediments. Current statutory requirements may tend to favor a continuation of the status quo. For example, perhaps a majority vote of the entire voting population of the proposed regional district could be the requirement for approval. In new regionalization efforts and in proposals for dissolution of existing regions, provisions need to be made to protect any affected parties from unpaid bond issues, the loss of use of school buildings which were built in another town in the previous regional district, etc. In addition, the equalization of teacher salaries from several school districts should be subject to negotiations over a phase-in period of three to five years, rather than a more immediate equalization to the highest salary guide of participating school districts. The procedures should encourage rational and efficient regionalization for the long term rather than protect the more immediate aspects of “local control” or the status quo.

Education Regionalization should be identified as a state priority and effective public communication by state officials should drive home the importance of the issue and the potential advantages of more appropriately sized municipal and school organizations. Current property taxing units are quite remarkably inequitable in wealth and, in some cases, inefficient in administration from unit to unit. In many instances, more adequate municipal and educational services can be provided by more reasonably sized agencies.

Mandated Regionalization Any mandated joining of local agencies should be reserved for the most extreme cases, i.e., smallest units, highest property taxes, etc., and be considered only after implementation of the suggestions above.

State Benefits Finally, it should be acknowledged that state government itself would become more efficient from a reduction in the number of local municipal, school and special purpose organizations. While some state-wide resources would need to be directed to enhance governance at the local level, the state would then, over time, have fewer local units for data collection, for regulation and/or supervision, for concerns about equity in taxation and services, etc. For all the reasons mentioned above, this matter deserves increased attention by state officials.

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